

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

UNITED STATES OF AMERICA

v.

ABDULLAH ALJARADI,
Defendant.

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CRIMINAL NO. – WDQ-13-0485

**(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343
Forfeiture)**

INDICTMENT

COUNTS 1-6

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **ABDULLAH ALJARADI** was a resident of Baltimore, Maryland.
2. Second Obama Express was a convenience store operated by defendant **ABDULLAH ALJARADI** and located at 901 Harlem Avenue, Suite A, Baltimore, Maryland. Defendant **ABDULLAH ALJARADI**, through the Second Obama Express convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.
3. D&M Deli and Grocery was a convenience store operated by defendant **ABDULLAH ALJARADI** and located at 901 Harlem Avenue, Suite B, Baltimore, Maryland. Defendant **ABDULLAH ALJARADI**, through the D&M Deli and Grocery convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.

The Food Stamp Program / Supplemental Nutrition Assistance Program

4. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.

5. The Food Stamp program's name changed to the Supplemental Nutrition Assistance Program (SNAP). It was jointly administered by the United States Department of Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies.

6. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may "only be accepted from eligible households or the households' authorized representative, and only in exchange for eligible food." Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include "an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food."

7. In Maryland, the program was administered by the Maryland Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS) the current network management contract for its FSP EBT system. FSP customers were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to

access the electronic funds allocated to customer's EBT Cards (larger retailers use their own POS devices). POS devices communicated with the Maryland EBT central database to debit a customer's available SNAP benefit balance for the cash value of eligible food items purchased.

8. Under the food stamp program, benefits were automatically added to a recipient's EBT Card on a monthly basis. When an EBT Card was swiped through a retailer's POS terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches to the central Maryland EBT database located in Texas, which maintained customer account balance information. The EBT Contractor verified the retailer was authorized to conduct SNAP EBT transactions. The Maryland EBT system verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

9. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers. On a daily basis, Xerox, located in Austin, Texas, reconciled accounts for participating MD SNAP retailers.

10. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores. As part of that application, the owner/manager certified that s/he understood and agreed that it was a “violation” of SNAP regulations to “trade[] cash for Supplemental Nutrition Assistance Program benefits.”

11. In order to receive SNAP reimbursements, authorized retailers were required to establish a single authorized bank account, approved by the FNS, into which EBT benefits from legitimate food stamp transactions would be deposited.

**Food Stamp Transactions Conducted at
Second Obama Express and D&M Deli and Grocery**

12. Defendant **ABDULLAH ALJARADI** is the Director and Resident Agent for ATA Express, Inc., which owned Second Obama Express, located at 901 Harlem Avenue, Suite A, Baltimore, Maryland. Second Obama submitted FNS Form 252 in July of 2010, and was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about August 17, 2010.

13. ATA Express, Inc. was incorporated on December 19, 2008 with **ABDULLAH ALJARADI** as the corporation’s Director and Resident Agent. On or about December 21, 2010, the corporate name of ATA Express, Inc. was changed to D&M Grocery, Inc., but no changes were made to the directors or resident agent.

14. Defendant **ABDULLAH ALJARADI** is the owner of D&M Deli, located at 901 Harlem Avenue, Suite B, Baltimore, Maryland. D&M Deli submitted FNS Form 252 in July of 2011, and was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about October 12, 2011. As part of that application, **ABDULLAH ALJARADI** certified that he understood that it was a “violation” of SNAP regulations to “trade[] cash for Supplemental Nutrition Assistance Program benefits.”

15. As a licensed retail participant, **ABDULLAH ALJARADI** received instruction from FNS regarding the requirements and regulations of the food stamp program, including instruction that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or other non-food items.

16. From in or about October 2010 through in or about July 2013, defendant **ABDULLAH ALJARADI**, at Second Obama and D&M Deli, redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, defendant **ABDULLAH ALJARADI** obtained more than \$2,000,000 in EBT deposits for food sales that never actually occurred. Defendant **ABDULLAH ALJARADI** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations regarding the food stamp program and that defendant **ABDULLAH ALJARADI** was not entitled to the EBT deposits made by FNS into his bank account.

THE CHARGES

17. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDULLAH ALJARADI,

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having a value in excess of \$100 in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, defendant **ABDULLAH ALJARADI** redeemed beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
1	1/7/2013	\$ 409.52	\$ 199.98	\$ 100.00
2	1/7/2013	\$ 154.20	\$ 154.20	\$ 77.10
3	2/11/2013	\$ 261.00	\$ 99.99	\$ 50.00
4	3/11/2013	\$ 209.54	\$ 199.73	\$ 100.00
5	4/9/2013	\$ 328.00	\$ 319.74	\$ 160.00
6	8/7/2013	\$ 148.00	\$ 140.00	\$ 70.00

7 U.S.C. § 2024(b)(1)

18 U.S.C. § 2

COUNTS 7-12

(Wire Fraud, 8 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

18. The allegations set forth in paragraphs 1 through 16 of Counts One through Six of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

19. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDULLAH ALJARADI,

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises (“the scheme to defraud”) from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

20. It was the object of the scheme to defraud that defendant **ABDULLAH ALJARADI** would debit funds from those EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, **ABDULLAH ALJARADI** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. To avoid detection, defendant **ABDULLAH ALJARADI** would also debit the funds off the card in multiple transactions over a period of hours or days. By executing this scheme to defraud, defendant **ABDULLAH ALJARADI** obtained at least \$2,000,000 from the USDA/FNS SNAP Program to which he was not lawfully entitled.

Manner and Means

21. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **ABDULLAH ALJARADI** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct the purchase from the EBT Card's available balance for unauthorized and unlawful redemptions.

22. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **ABDULLAH ALJARADI** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor) to electronically transmit interstate a signal that authorized electronic payments to the bank account of Second Obama Express and D&M Deli and Grocery. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.

23. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **ABDULLAH ALJARADI** would and did, on multiple occasions, obtain cash in exchange for redeeming SNAP benefits for cash.

The Charge

24. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDULLAH ALJARADI,

for the purpose of executing and attempting to execute the scheme to defraud, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendant **ABDULLAH ALJARADI** knowingly caused a USDA EBT point of sale device in Maryland to electronically transmit a request to authorize a transaction and deduct the amount from an EBT Card's available balance for unauthorized and unlawful redemptions to the central Maryland EBT database located in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
7	1/7/2013	\$ 409.52	\$ 199.98	\$ 100.00
8	1/7/2013	\$ 154.20	\$ 154.20	\$ 77.10
9	2/11/2013	\$ 261.00	\$ 99.99	\$ 50.00
10	3/11/2013	\$ 209.54	\$ 199.73	\$ 100.00
11	4/9/2013	\$ 328.00	\$ 319.74	\$ 160.00
12	8/7/2013	\$ 148.00	\$ 140.00	\$ 70.00

FORFEITURE

1. The allegations of Counts One through Six of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendants that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b), each defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$2,000,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. §§ 2024(e), (f)
18 U.S.C. § 981(a)(1)(C)
18 U.S.C. § 1343
28 U.S.C. § 2461(c)
Rule 32.2(a), Fed. R. Crim. P.

ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

Date

Foreperson

me
9/9/13

JTM: USAO#2012R00326

FILED
U.S. DISTRICT COURT
DISTRICT OF MARYLAND
IN THE UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND

UNITED STATES OF AMERICA
v.

DAE CHO and
HYUNG CHO,

Defendants

CLERK'S OFFICE *
AT BALTIMORE *
BY _____ DEPUTY *
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CRIMINAL NO. JKB-13-0477

(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343; Aiding
and Abetting, 18 U.S.C. § 2;
Forfeiture)

INDICTMENT

COUNT ONE

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **DAE CHO** was a resident of Catonsville, Maryland.
2. Defendant **HYUNG CHO** was a resident of Catonsville, Maryland.
3. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.
4. The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, was jointly administered by the United States Department of Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies. The program provided eligible individuals with an electronic benefit card (EBT Card) that the individual could use to purchase food items from participating retailers. Title 7 of the Code of

Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may “only be accepted from eligible households or the households’ authorized representative, and only in exchange for eligible food” and that if the “food retailer has any cause to believe that a person presenting coupons has no right to use the coupons, the food retailer should request the person to show the ID card of the household to establish the right of that person to use the coupons.” Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include “an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food.”

5. In Maryland, the program was administered by the MD Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS) the current network management contract for its FSP EBT system. The system was similar to those employed by financial institutions and credit card companies. FSP customers were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer’s EBT Cards (larger retailers use their own POS devices). POS devices communicated with the Maryland EBT central database to debit a customer’s available SNAP benefit balance for the cash value of eligible food items purchased.

6. Under the food stamp program, benefits were automatically added to a recipient's EBT Card on a monthly basis. When an EBT Card was swiped through a retailer's POS terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches and gateway to the central Maryland EBT database located in Texas, which maintained customer account balance information. The EBT Contractor verified the retailer was authorized to conduct SNAP EBT transactions. The Maryland EBT system verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

7. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. Unlike the procedure with the original paper food stamp coupons, FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers. On a daily basis, Xerox, located in Austin, Texas, reconciled accounts for participating MD SNAP retailers by drawing on funds available through an open letter of credit with the American Management Agent (AMA).

8. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores, and the owner/manager of that business acknowledged receiving mandatory SNAP retailer training. This training from FNS was designed to educate and train store owner/management personnel on the proper procedures for the acceptance and redemption of SNAP benefits. Training materials were available upon request in six different languages, including English, Arabic, Spanish, and Korean. Store owners/managers were responsible for training their employees in the proper procedures for the program. Retailers could possibly lose their authorization to redeem SNAP benefits if they broke program rules or no longer qualified for participation in the program.

9. In order to receive SNAP reimbursements, authorized retailers were required to establish a single authorized bank account, approved by the FNS, into which EBT benefits from legitimate food stamp transactions would be deposited.

10. Defendant **DAE CHO** was listed as a corporate officer for K&D CHO, LLC, which owned K&S Food Market, located at 3910 West Belvedere Avenue, Baltimore, MD. K&S Food Market submitted FNS Form 252 in March of 2004, and was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about April 5, 2004. As a licensed retail participant, **DAE CHO** received training and instruction from FNS regarding the requirements and regulations of the food stamp program, including instruction that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or other non-food items.

11. Defendant **HYUNG CHO** is the son of defendant **DAE CHO**. Defendant **HYUNG CHO**'s Maryland driver's license and a vehicle registered to him list the same address

as Defendant **DAE CHO**. Defendant **HYUNG CHO** has worked at K&S Food Market, located at 3910 West Belvedere Avenue, Baltimore, MD, since at least June of 2011.

12. From in or about November 2010 through in or about July 2013, **DAE CHO**, **HYUNG CHO**, and other employees of K&S Food Market, known and unknown to the Grand Jury, routinely redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, **DAE CHO** and **HYUNG CHO** obtained more than \$1,400,000 in EBT deposits for food sales that never actually occurred. **DAE CHO** and **HYUNG CHO** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations regarding the food stamp program and that **DAE CHO** and **HYUNG CHO** were not entitled to the EBT deposits made by FNS into the K&D CHO, LLC, d/b/a K&S Food Market bank account for those transactions.

THE CHARGE

13. On divers occasions from in or about June 2011 through in or about May 2013, in the District of Maryland,

**DAE CHO and
HYUNG CHO,**

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having an aggregate value in excess of \$5,000, in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, **DAE CHO** and **HYUNG CHO** redeemed beneficiaries' electronic benefits for cash at less than full value.

7 U.S.C. Section 2024(b)(1)
18 U.S.C. Section 2

COUNTS TWO –FOUR

(Wire Fraud, 8 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

1. The allegations set forth in paragraphs 1 through 12 of Count One of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

2. On or about the dates enumerated below, in the District of Maryland, the defendants,

**DAE CHO and
HYUNG CHO,**

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises (“the scheme to defraud”) from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

3. It was the object of the scheme to defraud that defendants **DAE CHO** and **HYUNG CHO** would accept EBT Cards from individuals not authorized to possess them, then defendants **DAE CHO** and **HYUNG CHO** would debit the funds from those EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, defendants **DAE CHO** and **HYUNG CHO** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. To avoid detection, defendants **DAE**

CHO and **HYUNG CHO** often would debit the funds off the card in multiple transactions over a period of hours or days. By executing this scheme to defraud, defendants **DAE CHO** and **HYUNG CHO** received in excess of \$1,400,000 from the USDA/FNS SNAP Program to which she/he was not lawfully entitled.

Manner and Means

4. It was a part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **DAE CHO** and **HYUNG CHO** would and did unlawfully acquire, possess and use EBT Cards.

5. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **DAE CHO** and **HYUNG CHO** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland, by means of swiping an EBT Card and entering the PIN associated with said card, to electronically transmit interstate EBT Card balance inquiries which were verified by the EBT Contractor.

6. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **DAE CHO** and **HYUNG CHO** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct the purchase amount from the EBT Card's available balance for unauthorized and unlawful purchases.

7. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **DAE CHO** and **HYUNG CHO** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor) to electronically transmit interstate a signal that authorized electronic payments to the bank account of K&S Market. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.

The Charge

8. On or about the dates enumerated below, in the District of Maryland, the defendants,

**DAE CHO or
HYUNG CHO,**

devised a scheme or artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendants **DAE CHO** and **HYUNG CHO** knowingly caused a USDA EBT point of sale device installed inside K&S Food Market, located at 3910 West Belvedere Avenue, Baltimore, MD, to electronically transmit a request to authorize a transaction and deduct the purchase amount from an EBT Card's available balance for unauthorized and unlawful purchases to the central Maryland EBT database located in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD BALANCE	CASH PAID	DEFENDANT
2	1/7/13	\$835.24	\$417.62	HYUNG CHO
3	2/11/13	\$161	\$80.50	HYUNG CHO
4	7/14/2011	\$970	\$485	DAE CHO

18 U.S.C. Section 1343
18 U.S.C. Section 2

FORFEITURE

1. The allegations of Counts One through Four of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendants that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b) and/or 18 U.S.C. § 1343, each defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$1,400,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, 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,

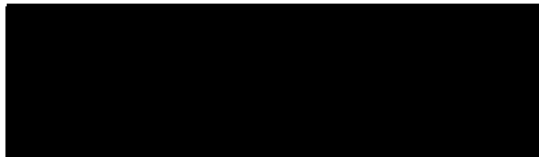
the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. §§ 2024(e), (f)
18 U.S.C. § 1343
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461(c)
Rule 32.2(a), F.R.Crim.P.

Rod J. Rosenstein 
ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

9/10/13
Date


Representative

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

UNITED STATES OF AMERICA

v.

KIM MAN CHU,
Defendant.

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CRIMINAL NO. – JFM-13-0484
(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343
Forfeiture)

INDICTMENT

COUNTS 1-4

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **KIM MAN CHU** was a resident of Baltimore, Maryland.
2. Long Hing Grocery Store was a convenience store owned and operated by defendant **KIM MAN CHU** and located at 1131 Greenmount Avenue, Baltimore, Maryland. Defendant **KIM MAN CHU**, through the Long Hing Grocery Store convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.

The Food Stamp Program / Supplemental Nutrition Assistance Program

3. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.
4. The Food Stamp program's name changed to the Supplemental Nutrition Assistance Program (SNAP). It was jointly administered by the United States Department of

Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies.

5. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may “only be accepted from eligible households or the households’ authorized representative, and only in exchange for eligible food.” Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include “an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food.”

6. In Maryland, the program was administered by the Maryland Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS) the current network management contract for its FSP EBT system. FSP customers were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer’s EBT Cards (larger retailers use their own POS devices). POS devices communicated with the Maryland EBT central database to debit a customer’s available SNAP benefit balance for the cash value of eligible food items purchased.

7. Under the food stamp program, benefits were automatically added to a recipient’s EBT Card on a monthly basis. When an EBT Card was swiped through a retailer’s POS

terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches to the central Maryland EBT database located in Texas, which maintained customer account balance information. The EBT Contractor verified the retailer was authorized to conduct SNAP EBT transactions. The Maryland EBT system verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

8. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers. On a daily basis, Xerox, located in Austin, Texas, reconciled accounts for participating MD SNAP retailers.

9. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores. As part of that application, the owner/manager certified that s/he understood and agreed that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."

10. In order to receive SNAP reimbursements, authorized retailers were required to establish a single authorized bank account, approved by the FNS, into which EBT benefits from legitimate food stamp transactions would be deposited.

Food Stamp Transactions Conducted at Long Hing Grocery Store

11. Defendant **KIM MAN CHU** is owner of Long Hing Grocery Store, located at 1131 Greenmount Avenue, Baltimore, Maryland. **KIM MAN CHU** submitted FNS Form 252 in February of 2009, and was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about February 25, 2009. As part of that application, **KIM MAN CHU** certified that he understood that it was a “violation” of SNAP regulations to “trade[] cash for Supplemental Nutrition Assistance Program benefits.”

12. As a licensed retail participant, **KIM MAN CHU** received instruction from FNS regarding the requirements and regulations of the food stamp program, including instruction that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or other non-food items.

13. From in or about October 2010 through in or about July 2013, **KIM MAN CHU**, at Long Hing Grocery Store, routinely redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, **KIM MAN CHU** obtained more than \$750,000 in EBT deposits for food sales that never actually occurred. **KIM MAN CHU** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations regarding the food stamp program and that he was not entitled to the EBT deposits made by FNS his bank account.

THE CHARGES

14. On or about the dates enumerated below, in the District of Maryland, the defendant,

KIM MAN CHU,

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having a value in excess of \$100 in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, defendant **KIM MAN CHU** redeemed beneficiaries' electronic benefits for cash at less than full value, as follows.

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
1	4/19/2012	\$ 465.96	\$ 147.15	\$ 75.00
2	8/8/2012	\$ 344.39	\$ 344.04	\$ 172.20
3	6/14/2013	\$190.53	\$ 104.35	\$ 52.25
4	8/7/2013	\$ 415.00	\$ 322.11	\$ 161.00

7 U.S.C. § 2024(b)(1)

18 U.S.C. § 2

COUNTS 5-8

(Wire Fraud, 8 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

15. The allegations set forth in paragraphs 1 through 11 of Counts One through Three of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

16. On or about the dates enumerated below, in the District of Maryland, the defendant,

KIM MAN CHU,

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises (“the scheme to defraud”) from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

17. It was the object of the scheme to defraud that defendant **KIM MAN CHU** would debit funds from those EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, **KIM MAN CHU** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. To avoid detection, defendant **KIM MAN CHU** would also debit the funds off the card in multiple transactions over a period of hours or days. By executing this scheme to defraud, defendant **KIM MAN CHU** obtained at least \$750,000 from the USDA/FNS SNAP Program to which he was not lawfully entitled.

Manner and Means

18. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **KIM MAN CHU** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct the amount from the EBT Card's available balance for unauthorized and unlawful redemptions.

19. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **KIM MAN CHU** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor) to electronically transmit interstate a signal that authorized electronic payments to the bank account of Long Hing Grocery Store. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.

20. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **KIM MAN CHU** would and did, on multiple occasions, obtain cash in exchange for redeeming SNAP benefits for cash.

The Charge

21. On or about the dates enumerated below, in the District of Maryland, the defendant,

KIM MAN CHU,

for the purpose of executing and attempting to execute the scheme to defraud, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendant **KIM MAN CHU** knowingly caused a USDA EBT point of sale device installed inside Long Hing Grocery Store to electronically transmit a request to authorize a transaction and deduct the amount from an EBT Card's available balance for unauthorized and unlawful redemptions to the central Maryland EBT database located in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
5	4/19/2012	\$ 465.96	\$ 147.15	\$ 75.00
6	8/8/2012	\$ 344.39	\$ 344.04	\$ 172.20
7	6/14/2013	\$190.53	\$ 104.35	\$ 52.25
8	8/7/2013	\$ 415.00	\$ 322.11	\$ 161.00

FORFEITURE

1. The allegations of Counts One through Four of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendants that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b) and/or 18 U.S.C. § 1343, each defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$750,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. §§ 2024(e), (f)
18 U.S.C. § 981(a)(1)(C)
18 U.S.C. § 1343
28 U.S.C. § 2461(c)
Rule 32.2(a), Fed. R. Crim. P.

ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

Date

Foreperson

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

UNITED STATES OF AMERICA

v.

JOHN CUNNINGHAM,

Defendant.

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*

CRIMINAL NO. – RDB-13-0486

**(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343
Forfeiture)**

INDICTMENT

COUNTS 1-3

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **JOHN CUNNINGHAM** was a resident of Baltimore, Maryland.
2. Cunningham’s Amoco was a convenience store part owned and operated by defendant **JOHN CUNNINGHAM** and located at 4419 Park Heights Avenue, Baltimore, Maryland. Defendant **JOHN CUNNINGHAM**, through the Cunningham’s Amoco convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.

The Food Stamp Program / Supplemental Nutrition Assistance Program

3. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.
4. The Food Stamp program’s name changed to the Supplemental Nutrition Assistance Program (SNAP). It was jointly administered by the United States Department of

Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies.

5. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may “only be accepted from eligible households or the households’ authorized representative, and only in exchange for eligible food.” Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include “an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food.”

6. In Maryland, the program was administered by the Maryland Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS) the current network management contract for its FSP EBT system. FSP customers were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer’s EBT Cards (larger retailers use their own POS devices). POS devices communicated with the Maryland EBT central database to debit a customer’s available SNAP benefit balance for the cash value of eligible food items purchased.

7. Under the food stamp program, benefits were automatically added to a recipient’s EBT Card on a monthly basis. When an EBT Card was swiped through a retailer’s POS

terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches to the central Maryland EBT database located in Texas, which maintained customer account balance information. The EBT Contractor verified the retailer was authorized to conduct SNAP EBT transactions. The Maryland EBT system verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

8. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers. On a daily basis, Xerox, located in Austin, Texas, reconciled accounts for participating MD SNAP retailers.

9. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores. As part of that application, the owner/manager certified that s/he understood and agreed that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."

10. In order to receive SNAP reimbursements, authorized retailers were required to establish a single authorized bank account, approved by the FNS, into which EBT benefits from legitimate food stamp transactions would be deposited.

Food Stamp Transactions Conducted at Cunningham's Amoco

11. Defendant **JOHN CUNNINGHAM** is a part owner of Cunningham LLC, the company which owns Cunningham's Amoco, located at 4419 Park Heights Avenue, Baltimore, Maryland. Cunningham's Amoco was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about February 23, 1996. In December 2012, **JOHN CUNNINGHAM** submitted FNS Form 252 which listed him for the first time as a part owner of Cunningham LLC. As part of that application, **JOHN CUNNINGHAM** certified that he understood that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."

12. As a licensed retail participant, **JOHN CUNNINGHAM** received instruction from FNS regarding the requirements and regulations of the food stamp program, including instruction that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or other non-food items.

13. From in or about December 2012 through in or about July 2013, **JOHN CUNNINGHAM**, at Cunningham's Amoco, routinely redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, **JOHN CUNNINGHAM** obtained more than \$348,000 in EBT deposits for food sales that never actually occurred. **JOHN CUNNINGHAM** knew that exchanging cash for EBT benefits was in violation of the laws, rules

and regulations regarding the food stamp program and that he was not entitled to the EBT deposits made by FNS into his bank account.

THE CHARGES

14. On or about the dates enumerated below, in the District of Maryland, the defendant,

JOHN CUNNINGHAM

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having a value in excess of \$100 in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, defendant **JOHN CUNNINGHAM** redeemed beneficiaries' electronic benefits for cash at less than full value, as follows.

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
1	3/11/2013	\$ 477.00	\$ 100.00	\$ 50.00
2	4/9/2013	\$ 428.00	\$ 100.00	\$ 50.00
3	4/9/2013	\$ 392.00	\$ 100.00	\$ 50.00

7 U.S.C. § 2024(b)(1)
18 U.S.C. § 2

COUNTS 4-6

(Wire Fraud, 8 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

15. The allegations set forth in paragraphs 1 through 13 of Counts One through Three of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

16. On or about the dates enumerated below, in the District of Maryland, the defendant,

JOHN CUNNINGHAM,

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises (“the scheme to defraud”) from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

17. It was the object of the scheme to defraud that defendant **JOHN CUNNINGHAM** would debit funds from those EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, **JOHN CUNNINGHAM** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. To avoid detection, defendant **JOHN CUNNINGHAM** would also debit the funds off the card in multiple transactions over a period of hours or days. By executing this scheme to defraud, defendant **JOHN CUNNINGHAM** obtained at least \$348,000 from the USDA/FNS SNAP Program to which he was not lawfully entitled.

Manner and Means

18. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JOHN CUNNINGHAM** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct the amount from the EBT Card's available balance for unauthorized and unlawful redemption.

19. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JOHN CUNNINGHAM** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor) to electronically transmit interstate a signal that authorized electronic payments to the bank account of Cunningham's Amoco. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.

20. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JOHN CUNNINGHAM** would and did, on multiple occasions, obtain cash in exchange for redeeming SNAP benefits for cash.

The Charge

21. On or about the dates enumerated below, in the District of Maryland, the defendant,

JOHN CUNNINGHAM,

for the purpose of executing and attempting to execute the scheme to defraud, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendant **JOHN CUNNINGHAM** knowingly caused a USDA EBT point of sale device installed inside Cunningham's Amoco to electronically transmit a request to authorize a transaction and deduct the amount from an EBT Card's available balance for unauthorized and unlawful redemptions to the central Maryland EBT database located in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD BALANCE	EBT TRANSACTION AMOUNT	CASH PAID
4	3/11/2013	\$ 477.00	\$ 100.00	\$ 50.00
5	4/9/2013	\$ 428.00	\$ 100.00	\$ 50.00
6	4/9/2013	\$ 392.00	\$ 100.00	\$ 50.00

18 U.S.C. § 1343

FORFEITURE

1. The allegations of Counts One through Three of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendants that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b) and/or 18 U.S.C. § 1343, each defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$ 348,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. §§ 2024(e), (f)
18 U.S.C. § 981(a)(1)(C)
18 U.S.C. § 1343
28 U.S.C. § 2461(c)
Rule 32.2(a), Fed. R. Crim. P.

ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

Date

Foreperson

AKC
9/9/13

JTM: USAO#2013R00650

FILED
U.S. DISTRICT COURT
DISTRICT OF MARYLAND

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

CLERK'S OFFICE
AT BALTIMORE*

UNITED STATES OF AMERICA

BY _____ DEPUTY

CRIMINAL NO. *JKB-13-0478*

v.

JUNG KIM,

Defendant

* (Food Stamp Fraud, 7 U.S.C. § 2024(b);
* Wire Fraud, 18 U.S.C. § 1343; Aiding
* and Abetting, 18 U.S.C. § 2;
* Forfeiture)

INDICTMENT

COUNT ONE

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **JUNG KIM** was a resident of Ellicott City, Maryland.
2. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.
3. The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, was jointly administered by the United States Department of Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies. The program provided eligible individuals with an electronic benefit card (EBT Card) that the individual could use to purchase food items from participating retailers. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting

food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may “only be accepted from eligible households or the households’ authorized representative, and only in exchange for eligible food” and that if the “food retailer has any cause to believe that a person presenting coupons has no right to use the coupons, the food retailer should request the person to show the ID card of the household to establish the right of that person to use the coupons.” Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include “an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food.”

4. In Maryland, the program was administered by the MD Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS) the current network management contract for its FSP EBT system. The system was similar to those employed by financial institutions and credit card companies. FSP customers were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer’s EBT Cards (larger retailers use their own POS devices). POS devices communicated with the Maryland EBT central database to debit a customer’s available SNAP benefit balance for the cash value of eligible food items purchased.

5. Under the food stamp program, benefits were automatically added to a recipient's EBT Card on a monthly basis. When an EBT Card was swiped through a retailer's POS terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches and gateway to the central Maryland EBT database located in Texas, which maintained customer account balance information. The EBT Contractor verified the retailer was authorized to conduct SNAP EBT transactions. The Maryland EBT system verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

6. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. Unlike the procedure with the original paper food stamp coupons, FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers. On a daily basis, Xerox, located in Austin, Texas, reconciled accounts for participating MD SNAP retailers by drawing on funds available through an open letter of credit with the American Management Agent (AMA).

7. In order to participate in the SNAP as an authorized retailer, a business

submitted FNS Form 252, Food Stamp Program Application for Stores, and the owner/manager of that business acknowledged receiving mandatory SNAP retailer training. This training from FNS was designed to educate and train store owner/management personnel on the proper procedures for the acceptance and redemption of SNAP benefits. Training materials were available upon request in six different languages, including English, Arabic, Spanish, and Korean. Store owners/managers were responsible for training their employees in the proper procedures for the program. Retailers could possibly lose their authorization to redeem SNAP benefits if they broke program rules or no longer qualified for participation in the program.

8. In order to receive SNAP reimbursements, authorized retailers were required to establish a single authorized bank account, approved by the FNS, into which EBT benefits from legitimate food stamp transactions would be deposited.

10. Defendant **JUNG KIM** signed FNS Form 252 for C&C Market, located at 4752 Park Heights Ave, Baltimore, MD, on January 21, 2005. C&C Market was licensed by FNS to participate in the food stamp program as a SNAP retailer on or about February 10, 2005. As a licensed retail participant, **JUNG KIM** received training and instruction from FNS regarding the requirements and regulations of the food stamp program, including instruction that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or other non-food items.

11. From in or about November 2010 through in or about April 2013, **JUNG KIM**, and other employees of C&C Market, known and unknown to the Grand Jury, routinely redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash

transactions, **JUNG KIM** obtained more than \$600,000 in EBT deposits for food sales that never actually occurred. **JUNG KIM** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations regarding the food stamp program and that **JUNG KIM** were not entitled to the EBT deposits made by FNS into the C&C Market bank account for those transactions.

THE CHARGE

12. On divers occasions from in or about June 2011 through in or about April 2013, in the District of Maryland,

JUNG KIM,

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having an aggregate value in excess of \$5,000, in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, **JUNG KIM** redeemed beneficiaries' electronic benefits for cash at less than full value.

7 U.S.C. Section 2024(b)(1)
18 U.S.C. Section 2

COUNTS TWO – THREE

(Wire Fraud, 8 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

1. The allegations set forth in paragraphs 1 through 11 of Count One of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

2. On or about the dates enumerated below, in the District of Maryland, the defendant,

JUNG KIM,

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises (“the scheme to defraud”) from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

3. It was the object of the scheme to defraud that defendant **JUNG KIM** would accept EBT Cards from individuals not authorized to possess them, then defendant **JUNG KIM** would debit the funds from those EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, defendant **JUNG KIM** paid the individual who had presented the EBT Card half the value of the amount she had debited in cash. To avoid detection, defendant **JUNG KIM** often would debit the funds off the card in multiple transactions over a period of hours or days. By executing this scheme to defraud, **JUNG KIM**

received in excess of \$600,000 from the USDA/FNS SNAP Program to which she was not lawfully entitled.

Manner and Means

4. It was a part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JUNG KIM** would and did unlawfully acquire, possess and use EBT Cards.

5. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JUNG KIM** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland, by means of swiping an EBT Card and entering the PIN associated with said card, to electronically transmit interstate EBT Card balance inquiries which were verified by the EBT Contractor.

6. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JUNG KIM** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct the purchase amount from the EBT Card's available balance for unauthorized and unlawful purchases.

7. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **JUNG KIM** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor) to electronically transmit interstate a signal that authorized

electronic payments to the bank account of C&C Market. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.

The Charge

8. On or about the dates enumerated below, in the District of Maryland, the defendant,

JUNG KIM,

devised a scheme or artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendant **JUNG KIM** knowingly caused a USDA EBT point of sale device installed inside C&C Market located at 4752 Park Heights Ave., Baltimore, MD, to electronically transmit a request to authorize a transaction and deduct the purchase amount from an EBT Card's available balance for unauthorized and unlawful purchases to the central Maryland EBT database located in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARDS BALANCE	CASH PAID
2	1/7/13	\$1191.80	\$595.50
3	4/9/13	\$788	\$394.50

18 U.S.C. Section 1343
18 U.S.C. Section 2

FORFEITURE

1. The allegations of Counts One through Three of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the Defendant that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b) and/or 18 U.S.C. § 1343, the defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$600,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, as a result of any act or omission of the defendant:

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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. §§ 2024(e), (f)
18 U.S.C. § 1343
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461(c)
Rule 32.2(a), F.R.Crim.P.



ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

9/10/13
Date


Foreperson

FILED
U.S. DISTRICT COURT
DISTRICT OF MARYLAND

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

CLERK'S OFFICE
AMERICAN
BY _____ DEPUTY
AMARA CISSE
and
FANTA KEITA,
Defendants

UNDER SEAL

CRIMINAL NO. B06-13-0488

(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343;
Aiding and Abetting, 18 U.S.C. § 2;
Forfeiture)

INDICTMENT

COUNTS 1-3

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **AMARA CISSE** was a resident of Baltimore County, Maryland.
2. Defendant **FANTA KEITA** was a resident of Baltimore County, Maryland, and the wife of Defendant **AMARA CISSE**.
3. Simbo Food Smart, which also goes by the name Simbo Food Mart (hereafter "Simbo Food Mart"), is a convenience store owned by **CISSE** and located at 2103 West Pratt St, Baltimore, MD. **CISSE** and **KEITA**, through the Simbo Food Mart convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.

The Food Stamp Program / Supplemental Nutrition Assistance Program

4. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households, permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.
5. The Food Stamp program's name changed to the Supplemental Nutrition Assistance Program (SNAP). It was jointly administered by the United States Department of Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies.
6. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may "only be accepted from eligible households or the households' authorized representative, and only in exchange for eligible food." Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include "an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food."
7. In Maryland, the program was administered by the Maryland Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS), located in Texas, the current network management contract for its FSP

EBT system. FSP customers in Maryland were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP in Maryland were assigned an FNS authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer's EBT Cards (larger retailers use their own POS devices). POS devices communicated with Xerox in Texas to debit a customer's available SNAP benefit balance for the cash value of eligible food items purchased.

8. Under the food stamp program, benefits were automatically added to a recipient's EBT Card on a monthly basis. When an EBT Card was swiped through a retailer's POS terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches to Xerox in Texas, which maintained customer account balance information. Xerox in Texas verified the retailer was authorized to conduct SNAP EBT transactions, verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.

9. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited. FSP EBT transactions were made for the exact amount of the sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers through a series of electronic funds transfers.
10. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores. As part of that application, the owner/manager certified that s/he understood and agreed that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."

Food Stamp Transactions Conducted at Simbo Food Mart

11. **CISSE** completed Form 252 for Simbo Food Mart or about May 11, 2010. As part of that application, **CISSE** certified that he understood that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."
12. Simbo Food Mart was authorized as a SNAP retailer on June 4, 2010.
13. From in or about November 1, 2010 through in or about May 2013, **AMARA CISSE** and **FANTA KEITA**, at Simbo Food Mart, redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, **AMARA CISSE** and **FANTA KEITA** obtained more than \$600,000 in EBT deposits for food sales that never actually occurred. **AMARA CISSE** and **FANTA KEITA** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations regarding the food stamp

program and that **AMARA CISSE** and **FANTA KEITA** were not entitled to the EBT deposits made by FNS into Bank of America account number ending in 8444 for those transactions.

THE CHARGES

14. On or about the dates enumerated below, in the District of Maryland, the defendants,

**AMARA CISSE
and
FANTA KEITA**

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having a value in excess of \$100 in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, **AMARA CISSE** and **FANTA KEITA** redeemed beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD NO.	EBT TRANSACTION AMOUNT	CASH PAID	DEFENDANT
1	2/11/2013	4554	\$187.00	\$93.50	AMARA CISSE
2	3/11/2013	5676	\$200.00	\$100.00	FANTA KEITA
3	4/09/2013	6077	\$260.00	\$130.00	AMARA CISSE FANTA KEITA

7 U.S.C. § 2024(b)(1)
18 U.S.C. § 2

COUNTS 4-6

(Wire Fraud, 18 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

1. The allegations set forth in paragraphs 1 through 13 of Counts One through Four of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

2. On or about the dates enumerated below, in the District of Maryland, the defendants,

**AMARA CISSE
and
FANTA KEITA**

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises ("the scheme to defraud") from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

3. It was the object of the scheme to defraud that defendants **CISSE** and **KEITA** would debit funds from EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, **CISSE** and **KEITA** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. By executing this scheme to defraud, defendants **CISSE** and **KEITA** obtained more than \$600,000 from the USDA/FNS SNAP Program to which they were not lawfully entitled.

Manner and Means

4. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **CISSE and KEITA** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate a request to authorize a transaction and deduct an amount from the EBT Card's available balance for unauthorized and unlawful redemptions.
5. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **CISSE and KEITA** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor, Xerox in Texas) to electronically transmit interstate a signal that authorized electronic payments to the bank account of Simbo Food Mart. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.
6. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendants **CISSE and KEITA** would and did, on multiple occasions, obtain cash in exchange for redeeming SNAP benefits for cash.

The Charge

7. On or about the dates enumerated below, in the District of Maryland, the defendants,

**AMARA CISSE
and
FANTA KEITA**

for the purpose of executing and attempting to execute the scheme to defraud, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendants **CISSE** and **KEITA** knowingly caused a USDA EBT point of sale device installed inside Simbo Food Mart in Maryland to electronically transmit a request to authorize a transaction and deduct an amount from an EBT Card's available balance for unauthorized and unlawful redemptions to Xerox in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD NO.	EBT TRANSACTION AMOUNT	DEFENDANT
4	2/11/2013	4554	\$187.00	AMARA CISSE
5	3/11/2013	5676	\$200.00	FANTA KEITA
6	4/09/2013	6077	\$260.00	AMARA CISSE FANTA KEITA

18 U.S.C. § 1343
18 U.S.C. § 2

FORFEITURE

1. The allegations of Counts One through Eight of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.

2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the defendants that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. §2024(b) and/or 18 U.S.C. § 1343, each defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

3. The property to be forfeited includes, but is not limited to, the following:

a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$600,000; and

b. The merchandise fraudulently obtained during the course of the scheme detailed above.

4. If any of the property described above, 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

7 U.S.C. § 2024(e), (f)
18 U.S.C. §1343
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461(c)
Rule 32.2(a), F.R.Crim.P.



ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

9/12/13

Date

SIGNATURE REDACTED


Foreperson

208
9/12/13

LJW: USAO#2012R00806

FILED
U.S. DISTRICT COURT
DISTRICT OF MARYLAND

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

CLERK'S OFFICE
(BALTIMORE)

UNITED STATES OF AMERICA

UNDER SEAL

v.

BY _____ DEPUTY

CRIMINAL NO. JFM-13-0487

ABDO MOHAMED NAGI

(Food Stamp Fraud, 7 U.S.C. § 2024(b);
Wire Fraud, 18 U.S.C. § 1343;
Forfeiture)

Defendant

INDICTMENT

COUNTS 1-2

(Food Stamp Fraud, 7 U.S.C. § 2024(b))

The Grand Jury for the District of Maryland charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant **ABDO MOHAMED NAGI** was a resident of Baltimore, Maryland.
2. New York Deli and Grocery (hereafter "New York Deli") is a convenience store owned by **NAGI** and located at 1207 West Baltimore St, Baltimore, MD. **NAGI**, through the New York Deli convenience store, participated in the Food Stamp or Supplemental Nutrition Assistance Program.

The Food Stamp Program / Supplemental Nutrition Assistance Program

3. Congress passed the Food Stamp Act of 1977 in an effort to alleviate hunger and malnutrition. The program uses tax dollars to subsidize low-income households,

permitting them to obtain a more nutritious diet by increasing the food purchasing power of eligible households.

4. The Food Stamp program's name changed to the Supplemental Nutrition Assistance Program (SNAP). It was jointly administered by the United States Department of Agriculture (USDA) and the Food and Nutrition Service (FNS) together with various state agencies.
5. Title 7 of the Code of Federal Regulations, Section 278.2(a), prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. Further, Title 7 of the Code of Federal Regulations, Sections 278.2(a) and (h) provides that food stamp coupons may "only be accepted from eligible households or the households' authorized representative, and only in exchange for eligible food." Title 7 of the Code of Federal Regulations, Section 271.2 states that food stamp coupons include "an electronic benefit transfer card or personal identification number issued pursuant to the provisions of the Food Stamp Act of 1977, as amended, for the purchase of eligible food."
6. In Maryland, the program was administered by the Maryland Department of Human Resources (DHR) and was known as the Food Supplement Program (FSP). In 1993, Maryland changed the issuance method of SNAP benefits from a traditional paper coupon system to an Electronic Benefits Transfer (EBT) system. DHR awarded Xerox (formerly ACS), located in Texas, the current network management contract for its FSP EBT system. FSP customers in Maryland were issued plastic EBT Cards which contain an embedded magnetic stripe that stores basic information required for food purchases. Retailers approved by FNS to accept SNAP in Maryland were assigned an FNS

authorization number and in some cases, were provided with a point of sale (POS) device to access the electronic funds allocated to customer's EBT Cards (larger retailers use their own POS devices). POS devices communicated with Xerox in Texas to debit a customer's available SNAP benefit balance for the cash value of eligible food items purchased.

7. Under the food stamp program, benefits were automatically added to a recipient's EBT Card on a monthly basis. When an EBT Card was swiped through a retailer's POS terminal, the store employee or customer, (depending on the type of POS device) would actively select SNAP/food stamp purchase as the transaction type from the POS terminal menu. The employee would then enter the total dollar amount of the transaction to be conducted. The transaction request was completed when the cardholder entered their unique personal identification number (PIN). This caused an electronic transmission of information through a series of network switches to Xerox in Texas, which maintained customer account balance information. Xerox in Texas verified the retailer was authorized to conduct SNAP EBT transactions, verified the amount of benefits available, authorized the transaction and deducted the purchase amount from the customer's available balance. The system also calculated cumulative FSP sales for each retailer and authorized electronic payments to the retailer's bank account.
8. Once the transaction was approved, information flowed back to the POS terminal in Maryland and the store employee received confirmation that the cardholder's account had been successfully debited. FSP EBT transactions were made for the exact amount of the

sale and no change was given to the cardholder. SNAP reimbursements were paid to authorized retailers in Maryland through a series of electronic funds transfers.

9. In order to participate in the SNAP as an authorized retailer, a business submitted FNS Form 252, Food Stamp Program Application for Stores. As part of that application, the owner/manager certified that s/he understood and agreed that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."

Food Stamp Transactions Conducted at New York Deli

10. **NAGI** completed Form 252 for New York Deli on or about January 18, 2011. As part of that application, **NAGI** certified that he understood that it was a "violation" of SNAP regulations to "trade[] cash for Supplemental Nutrition Assistance Program benefits."
11. New York Deli was authorized as a SNAP retailer on February 1, 2011.
12. From in or about February 2011 through in or about May 2013, **NAGI**, at New York Deli, redeemed EBT benefits in exchange for cash at less than face value of the EBT benefits in violation of the food stamp program rules and regulations. As a result of these unlawful cash transactions, **NAGI** obtained more than \$1,200,000 in EBT deposits for food sales that never actually occurred. **NAGI** knew that exchanging cash for EBT benefits was in violation of the laws, rules and regulations governing the food stamp program and that **NAGI** was not entitled to the EBT deposits made by FNS into M&T Bank account number ending in 2936 for those transactions.

THE CHARGES

13. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDO MOHAMED NAGI

did knowingly use, transfer, acquire and possess food stamp coupons, through an EBT Card, having a value in excess of \$100 in a manner contrary to the Food Stamp Act (Title 7, United States Code Section 2011, et seq.) and the Regulations issued pursuant to that program, that is, **ABDO MOHAMED NAGI** redeemed beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD NO.	TOTAL EBT REDEMPTION AMOUNT	CASH PAID
1	2/11/13	6047	\$209.00	\$104.50
2	3/11/13	5676	\$399.92	\$200.00

7 U.S.C. Section 2024(b)(1)

COUNTS 3-8

(Wire Fraud, 18 U.S.C. § 1343)

The Grand Jury for the District of Maryland further charges that:

1. The allegations set forth in paragraphs 1 through 12 of Counts One and Two of the Indictment are hereby realleged and incorporated by reference here.

The Scheme to Defraud

2. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDO MOHAMED NAGI

knowingly and willfully devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises ("the scheme to defraud") from SNAP, a federally funded national malnutrition program jointly administered by USDA and FNS, together with various state agencies.

Object of the Scheme to Defraud

3. It was the object of the scheme to defraud that defendant **NAGI** would debit funds from EBT Cards and pay the individual who had presented the EBT Card in cash, at less than full value. Typically, **NAGI** paid the individual who had presented the EBT Card half the value of the amount she/he had debited in cash. To avoid detection, **NAGI**, on multiple occasions, debited funds in multiple transactions within minutes of each other. By executing this scheme to defraud, defendant **NAGI** obtained more than \$1,200,000 from the USDA/FNS SNAP Program to which he was not lawfully entitled.

Manner and Means

4. It was part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **NAGI** would and did, on multiple occasions, cause a USDA EBT point of sale device in Maryland to electronically transmit interstate to Texas a request to authorize a transaction and deduct an amount from the EBT Card's available balance for unauthorized and unlawful redemptions.
5. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **NAGI** would and did, on multiple occasions, cause the Maryland EBT System (through the EBT Contractor, Xerox in Texas) to electronically transmit interstate a signal that authorized electronic payments to the bank account of New York Deli. Once the transaction was approved, information flowed back to the POS terminal and the store employee received confirmation that the cardholder's account had been successfully debited.
6. It was further part of the scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises that the defendant **NAGI** would and did, on multiple occasions, obtain cash in exchange for redeeming SNAP benefits for cash.

The Charge

7. On or about the dates enumerated below, in the District of Maryland, the defendant,

ABDO MOHAMED NAGI

for the purpose of executing and attempting to execute the scheme to defraud, did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, pictures or sounds for the purpose of executing such scheme and artifice, that is, defendant **NAGI** knowingly caused a USDA EBT point of sale device installed inside New York Deli in Maryland to electronically transmit a request to authorize a transaction and deduct an amount from an EBT Card's available balance for unauthorized and unlawful redemptions to Xerox in Texas to redeem beneficiaries' electronic benefits for cash at less than full value, as follows:

COUNT	DATE	EBT CARD NO.	EBT REDEMPTION
3	2/11/13	6047	\$105.00
4	2/11/13	6047	\$104.00
5	3/11/2013	5676	\$125.00
6	3/11/2013	5676	\$119.95
7	3/11/2013	5676	\$55.00
8	3/11/2013	5676	\$99.97

18 U.S.C. § 1343

FORFEITURE

1. The allegations of Counts One through Four of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture.
2. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the defendant that the United States will seek forfeiture as part of any sentence in accordance with 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 7 U.S.C. § 2024(b) and/or 18 U.S.C. § 1343, the defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.
3. The property to be forfeited includes, but is not limited to, the following:
 - a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$1,200,000; and
 - b. The merchandise fraudulently obtained during the course of the scheme detailed above.
4. If any of the property described above, 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c). Substitute assets include but are not limited to the following:

- 4660 York Road, Baltimore, MD 21212
- 1207 West Baltimore Street, Baltimore, MD 21223

7 U.S.C. § 2024(e), (f)
18 U.S.C. § 1343
18 U.S.C. § 981(a)(1)(C)
28 U.S.C. § 2461(c)
Rule 32.2(a), F.R.Crim.P.



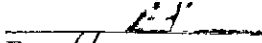
ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

A TRUE BILL:

9/12/13

Date

SIGNATURE REDACTED



Foreperson