

CRIMINAL COMPLAINT

UNITED STATES DISTRICT COURT		CENTRAL DISTRICT OF CALIFORNIA	
UNITED STATES OF AMERICA v. STEPHEN YOUNG KANG		DOCKET NO.	
		MAGISTRATE'S CASE NO. M 15 01499	
Complaint for violation of Title 18, United States Code, Section 1343			
NAME OF MAGISTRATE JUDGE HONORABLE ALICIA G. ROSENBERG		UNITED STATES MAGISTRATE JUDGE	LOCATION Los Angeles, California
DATE OF OFFENSE October 26, 2012, continuing through August 27, 2014	PLACE OF OFFENSE Los Angeles County	ADDRESS OF ACCUSED (IF KNOWN)	
COMPLAINANT'S STATEMENT OF FACTS CONSTITUTING THE OFFENSE OR VIOLATION: See Attachment <div style="position: absolute; left: 50px; top: 400px; transform: rotate(-90deg); font-weight: bold;"> LODGED 2015 AUG 11 PM 12:20 COMPLAINT FILED 507 </div>			
BASIS OF COMPLAINANT'S CHARGE AGAINST THE ACCUSED: (See attached affidavit which is incorporated as part of this Complaint)			
MATERIAL WITNESSES IN RELATION TO THIS CHARGE: N/A			
Being duly sworn, I declare that the foregoing is true and correct to the best of my knowledge.	SIGNATURE OF COMPLAINANT Stephen Phillips		
	OFFICIAL TITLE Special Agent – FEDERAL BUREAU OF INVESTIGATION		
Sworn to before me and subscribed in my presence,			
SIGNATURE OF MAGISTRATE JUDGE ⁽¹⁾			DATE August 11, 2015

⁽¹⁾ See Federal Rules of Criminal Procedure 3 and 54

A F F I D A V I T

I, Stephen Phillips, being duly sworn, do hereby declare and state the following:

I. INTRODUCTION

1. I have been employed as a Special Agent ("SA") for the Federal Bureau of Investigation ("FBI") since June 2000. For approximately four years, starting August 1996, I was employed as a Support Employee for the FBI, with three of those years being employed as an Intelligence Research Specialist. I have investigated white-collar crimes since 2012. I am currently assigned to the Long Beach Resident Agency ("LBRA") of the FBI. I am responsible for investigating fraud, financial crimes, public corruption, and other violations of law enforced by the FBI. I have successfully completed the FBI Special Agent Academy at Quantico, Virginia. In addition, I have participated in advanced training, including public corruption conferences and white-collar crime courses while at the FBI Academy. I have participated in the execution of numerous search warrants and arrest warrants relating to white-collar crimes. Finally, I have participated in nearly every aspect of financial fraud and money laundering investigations and I am familiar with the methods used by sophisticated individuals and criminal organizations to perpetrate such crimes.

2. I learned the facts set forth in this affidavit through personal observation, by reviewing the documents described herein, by speaking with other law enforcement officers and agents, by interviewing witnesses, and by relying

on my training and experience, and on the experience of other law enforcement personnel.

3. This affidavit is submitted for the limited purpose of establishing probable cause sufficient to secure a complaint and the issuance of an arrest warrant. I have not attempted, therefore, to include each and every fact I or other investigators have learned during the course of this investigation. I have set forth only the facts that I believe are necessary to establish probable cause for the complaint.

II. PURPOSE OF AFFIDAVIT

4. On August 10, 2015, at approximately 11:15 p.m., STEPHEN YOUNG KANG ("KANG") was arrested by FBI and IRS agents based on probable cause for violations of Title 18, United States Code, Section 1343 (Wire Fraud), while attempting to board a flight to Seoul, South Korea, at Los Angeles International Airport. Because KANG had purchased the business class plane ticket just three days before the scheduled flight and for the additional reasons set forth below, I believed there was a possibility that KANG may be attempting to flee the country.

5. This affidavit is made in support of a criminal complaint charging STEPHEN YOUNG KANG ("KANG"), with violating Title 18, United States Code, Section 1343 (Wire Fraud).

III. BACKGROUND OF THE INVESTIGATION

6. The FBI, and Internal Revenue Service-Criminal Investigations (IRS-CI), are currently involved in a joint-investigation focusing on, among other things, an alleged wire

fraud scheme committed by STEPHEN YOUNG KANG, which targeted OTTOGI AMERICA, INC. ("OTTOGI") and other potential victims. Based on my training and experience and my conversations with other law enforcement officers, I know that Title 18, United States Code, Section 1343, makes it a crime for anyone who has devised or intended to devise a scheme or artifice to defraud, or obtained money or property by means of false or fraudulent pretenses, representations, or promises to transmit or cause to transmit by means of wire, radio, or television communications in interstate commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice.

7. Based on the results of the investigation to date, including database searches, my review of documents, and interviews of witnesses, I know that STEPHEN YOUNG KANG is a 46 year old man, who currently resides in Orange County, California. KANG has also resided in Houston, Texas, and Seoul, South Korea. Based on my review of the California State Bar website and the Texas State Bar website and other documents obtained during the course of the investigation, I know that KANG is an attorney currently licensed to practice law in the State of California and State of Texas.

8. Based on the results of the investigation to date, including database searches and witness interviews, I further know that OTTOGI AMERICA, INC. is a California corporation, which distributes foreign food products throughout the United States and Canada. OTTOGI's headquarters and primary distribution location are located in Gardena, California.

IV. SUMMARY OF PROBABLE CAUSE

9. Based on my training and experience and the results of the joint FBI and IRS investigation to date, including my review of bank records, financial analysis reports, emails and other documents, witness interviews, and other witness statements, I submit there is probable cause to believe that KANG engaged in a fraudulent scheme to steal money from OTTOGI, which KANG then used for personal and business purposes. Specifically, the investigation to date has revealed that between October 26, 2012, and March 11, 2014, KANG obtained at least \$3,716,000 from OTTOGI by falsely representing that he would use these funds to purchase real estate in Gardena, California, on OTTOGI's behalf. These funds were provided to KANG via wire transfers originating from OTTOGI's accounts at Shinhan Bank America, which is located within the Central District of California. KANG, however, never purchased the real estate on OTTOGI's behalf. Instead, KANG subsequently moved the OTTOGI funds via wire transfers and/or check payments to other bank accounts controlled by KANG. It appears that KANG then used large portions of these OTTOGI funds for personal expenses, including, for example, to purchase luxury vehicles and rent an expensive house in Newport Beach, California, and to fund other business ventures.

V. STATEMENT OF PROBABLE CAUSE

A. KANG's Scheme to Defraud OTTOGI

10. Based on the facts set forth below, I respectfully submit that there is probable cause to believe KANG has engaged in wire fraud, in violation of 18 U.S.C. § 1343. Specifically,

my review of bank records, emails and other documents relating to OTTOGI's relationship with KANG, witness interviews conducted by myself and other law enforcement agents, and sworn statements from a civil suit involving KANG and OTTOGI, revealed that KANG engaged in the following fraudulent activities:

a. In or about May 2012, OTTOGI retained KANG, an attorney, to represent it in connection with, among other things, certain real estate transactions. Specifically, in order to expand its business and distribution capabilities, OTTOGI was interested in purchasing three lots of property adjacent its current property in Gardena, California (the "target lots"). KANG promised OTTOGI corporate executives that, as an attorney, he was capable of completing these real estate transactions on OTTOGI's behalf.

b. On October 26, 2012, OTTOGI executives executed a Power of Attorney agreement authorizing KANG and NOMAAN HUSAIN (an attorney in Houston, Texas, with whom KANG appears to have a professional relationship) to act as OTTOGI's legal representatives in connection with the negotiation, purchase, and closing of the target lots. The Power of Attorney also set forth a specific schedule of payments from OTTOGI to a Prosperity Bank account (number xxxxxx3161), namely, an Interest on Lawyers' Trust Account ("IOLTA") under the name of TEXAS ACCESS TO JUSTICE FDN for LAW OFFICE OF NOMAAN K. HUSAIN PC (the "Prosperity Trust Account"). The Power of Attorney signed by OTTOGI executives stated that OTTOGI's funds were to be used solely for the purchase of the target lots and that no

attorneys' fees could be paid out of the Prosperity Trust Account without the OTTOGI executives' approval.

c. To initiate the purchase of the target lots, between October 26, 2012 and March 11, 2014, KANG instructed OTTOGI to wire a total of \$3,716,000 into the Prosperity Trust Account. The funds originated from OTTOGI's accounts (numbers xxxxxx4426 and/or xxxxxx7860) at Shinhan Bank America, which is located within the Central District of California. According to OTTOGI executives interviewed by the IRS and FBI, the funds sent to the Prosperity Trust Account were for the sole purpose of KANG purchasing the target lots for OTTOGI. As reflected below, the wire transfer remittance advices made reference to "Payment", "Prepaid Expense", "Buying Land", "For Escrow", and/or "Purchasing Land".

d. Between October 2012 and July 2014, KANG continued to represent to OTTOGI executives orally and via email communications that he was in the process of purchasing, or had already purchased, the target lots on OTTOGI's behalf.

e. On or about August 4, 2014, KANG met with the OTTOGI executives and executives from OTTOGI's Korean parent company in Los Angeles, California to provide proof that he had purchased the target lots on OTTOGI's behalf. At this meeting, KANG provided OTTOGI executives with documents that KANG represented to be the Grant Deeds for the target lots. I have been informed that subsequent investigation by OTTOGI established that the documents provided by KANG and which he

represented to OTTOGI as Grant Deeds for the lots were fraudulent.

f. Despite receiving \$3,716,000 from OTTOGI for the sole purpose of purchasing the target lots on OTTOGI's behalf, KANG never purchased the target lots adjacent to OTTOGI's property in Gardena, California. Indeed, witnesses have indicated that OTTOGI still does not own the target lots.

g. Rather, as demonstrated by the financial analysis included below, the OTTOGI funds were transferred to a variety of other bank accounts controlled by KANG. These funds were then used by KANG to fund KANG's luxurious lifestyle, and to pay for KANG's personal expenses and other business ventures. Indeed, to date, out of the \$3,716,000 transferred from OTTOGI to the Prosperity Trust Account, only \$260,900 has been returned to OTTOGI.

B. OTTOGI Wires Money to the Prosperity Trust Account for the Purchase of the Target Lots

11. I have reviewed records provided by Prosperity Bank relating to bank accounts utilized by KANG to conduct his fraudulent scheme. I also reviewed a report FBI Forensic Accountant ("FoA") [REDACTED] prepared after reviewing Prosperity Bank's records relating to the Prosperity Trust Account. FoA [REDACTED] summary of the wire transactions from OTTOGI's Shinhan Bank America account to the Prosperity Trust Account is provided in the table below:

Date	Description	Payor	Amount	Comments
10/26/12	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$350,000.00	"Payment"
11/02/12	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$980,000.00	"Prepaid Expense"
01/03/13	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$1,010,000.00	"Buying Land"
05/29/13	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$100,000.00	"For Escrow"
05/29/13	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$406,000.00	"For Escrow"
02/05/14	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$300,000.00	"To Escrow Acct"
03/11/14	Wire Transfer Dep WIRE IN OTTOGI AMERICA INC	Ottogi America Inc.	\$570,000.00	"Purchasing Land"
	Total		\$3,716,000.00	

12. As discussed below, I have learned that the vast majority of \$3,716,000 in OTTOGI funds paid into the Prosperity Trust Account were subsequently transferred out of the Prosperity Trust Account to other bank accounts controlled by KANG.

C. KANG Wires OTTOGI Funds from the Prosperity Trust Account to Other Bank Accounts Controlled by KANG

13. Based on my review of the records for the Prosperity Trust Account (number xxxxxx3161) and FoA [REDACTED] financial analysis reports, I determined that substantial amounts of OTTOGI funds were transferred from the Prosperity Trust Account (number xxxxxx3161) to a GULF TECHNOLOGIES, INC. ("GULF") account at Wells Fargo Bank controlled by KANG, and to KANG's personal Wells Fargo Bank account, entitled STEPHEN KANG, ATTORNEY AT LAW.

14. Between October 29, 2012, and May 30, 2013, a total of \$2,833,000 was paid from the Prosperity Trust Account and deposited into GULF's account at Wells Fargo Bank (number xxxxxx8639). A review of financial records associated with this account revealed that KANG established this account on January 6, 2012, jointly with an individual named GEORGE H. DOREMUS. Based on my review of documents obtained in the course of the investigation, DOREMUS and KANG appear to be involved in investments related to exploratory oil and gas fields. KANG and DOREMUS were the only two signatories on the account during the relevant time period from October 29, 2012, to August 27, 2014. When interviewed by the FBI and IRS, OTTOGI executives stated that they had never heard of GULF and did not authorize KANG to transfer the funds to GULF's Wells Fargo Bank account. The OTTOGI executives further confirmed that they had no business dealings with DOREMUS and did not authorize any OTTOGI funds to be transferred to or controlled by DOREMUS.

15. My review of the relevant bank records and FoA [REDACTED] financial analysis reports also revealed that large portions of the \$2,833,000 that was transferred from the Prosperity Trust Account to GULF's Wells Fargo Bank account, were subsequently transferred out of GULF's Wells Fargo Bank account to the following additional accounts associated with KANG:

a. Between October 30, 2012, and August 27, 2014, \$917,000 in checks and wire transfers were transferred from GULF's Well Fargo Bank account (number xxxxxx8639) to one of KANG's personal Wells Fargo Bank accounts (number xxxxxx6600), entitled STEPHEN KANG, ATTORNEY AT LAW.

b. Between January 9, 2013, and August 12, 2014, \$150,000 was paid from GULF's Wells Fargo Account (number xxxxxx8639), to KANG's wife, SO YOUNG LEE ("LEE"). Most of these funds were deposited into LEE's personal Wells Fargo Bank accounts (numbers xxxxxx0377 and xxxxxx1131).

16. Additionally, my review of the relevant bank records and FoA [REDACTED] financial analysis revealed that between October 30, 2012, and August 27, 2014, \$695,000 of OTTOGI funds that had been transferred into the Prosperity Trust Account, were paid in checks and wire transfers directly into KANG's personal Wells Fargo Bank account (number xxxxxx6600), entitled STEPHEN KANG, ATTORNEY AT LAW.

17. Finally, my review of financial records associated with KANG's Wells Fargo Bank account (number xxxxxx6600) revealed that KANG established this account in 1997. Based on

my review of the financial records and FoA [REDACTED] financial analysis reports, it appears that between October 29, 2012, and October 31, 2014, the majority of the funds in this account, including funds that originated with OTTOGI, were used as follows: \$536,668 in funds were withdrawn; \$272,691 was applied to debit card purchases for personal expenses; \$295,500 was paid out to LEE and subsequently deposited into LEE's Wells Fargo bank accounts (numbers xxxxxxxx1131 and/or xxxxxxxx0377); \$161,896 was paid to American Express for credit card expenses; approximately \$196,700 was paid by KANG to rent a luxurious home in Newport Beach, California; \$86,650 in check payments were made by KANG for his children's private school tuition; \$102,027 was paid in ACH payments to Mercedes Benz Financial Services Auto; and a check payment for \$72,482 was made to Mercedes Benz of Laguna Niguel.

D. KANG's Use of OTTOGI Funds to Repay Other Fraud Victims

18. On June 15, 2015, S.K. and his wife, C.K., an elderly couple, were interviewed by the FBI and IRS. During the interview, S.K. and C.K. claimed they were the victims of an EB-5 immigration fraud perpetrated by KANG and that KANG still owes them approximately \$500,000 out of an approximately \$1,000,000 investment with him. KANG had promised S.K. and C.K. that he would process their EB-5 Immigration applications, and told them "just give me a million dollars and I will take care of the rest." But KANG neither processed their EB-5 applications nor returned their entire investment amount. After S.K. and C.K.

realized that the EB-5 application had not been filed, they demanded that KANG return their investment.

19. Based on my review of the Prosperity Trust Account bank records and FoA [REDACTED] financial analysis reports, KANG used at least \$250,000 of OTTOGI funds to repay S.K. and C.K. for a portion of their initial \$1,000,000 EB-5 investment. Neither S.K. nor C.K. ever met with any OTTOGI executives, nor were they ever involved in any business ventures with OTTOGI or its executives. When interviewed by the FBI and IRS, OTTOGI executives also stated that they did not know S.K. and C.K. and had no prior business dealings with them.

E. OTTOGI's Civil Law Suit Against KANG

20. On August 29, 2014, OTTOGI filed a civil lawsuit against KANG for fraud and malpractice in Los Angeles Superior Court. During a deposition in the civil suit, KANG denied the allegations and claimed that he was merely following the OTTOGI executives' instructions. Specifically, KANG claimed that OTTOGI executives instructed KANG to divert the funds from the purchase of the lots to other business ventures involving the oil and gas industry. I believe that these claims are false because they are contradicted by the OTTOGI executives' statements, the October 26, 2012, Power of Attorney agreement executed by the OTTOGI executives, and the financial analysis described above, which demonstrates that large portions of OTTOGI funds were ultimately diverted to KANG's personal bank accounts, his wife's bank account, or other bank accounts controlled by KANG.

21. In connection with the civil law suit, KANG also produced purported letters from an OTTOGI executive, S.L., authorizing wire transfers from the Prosperity Trust Account to GULF's Wells Fargo Account. Based on the joint FBI-IRS investigation to date, I believe that these documents are forgeries and were created by KANG to avoid liability in the OTTOGI civil suit. S.L. informed the FBI and IRS during his interview that he never signed these documents and that the letters do not appear on OTTOGI letterhead. Additionally, I observed that S.L. speaks limited English and therefore would have been incapable of drafting and executing the purported authorization letters without the assistance of a translator. Moreover, one of the purported authorization letters authorizing KANG to divert OTTOGI funds was allegedly executed on the same day as the Power of Attorney agreement, which specifically stated that the OTTOGI funds were to be used solely for the purpose of purchasing the target lots. Finally, the financial analysis described above, demonstrates that large portions of OTTOGI funds were subsequently transferred out of GULF's bank account to KANG's personal bank accounts or other bank accounts controlled by KANG, and therefore could not have been used for any purported business venture with GULF.

F. KANG's Current Lack of Financial Assets

22. To date, the IRS does not know whether KANG has any legitimate sources of income due to KANG's failure to file personal Federal Tax Returns. The last known personal tax return filing by KANG was in 2008 tax year.

23. Additionally, it appears that KANG transferred large sums of money, including money that may be traceable to OTTOGI, to family members to avoid potential liability in the OTTOGI civil suit. On August 29, 2014, OTTOGI filed the civil complaint against KANG and a request for a temporary restraining order. Based on my review of documents in connection with the civil suit, it appears that on September 3, 2014, the day before the hearing on OTTOGI's request for a temporary restraining order, KANG transferred \$200,000 from one of his personal bank accounts to one his wife's bank accounts.

24. Based on my training and experience, KANG's significant foreign ties, lack of financial assets in his name, and lack of a current known residential address, I believe that additional OTTOGI funds stolen by KANG may have been diverted to foreign accounts controlled by KANG. I know from other investigations and my conversations with other law enforcement agents who have investigated complex fraudulent schemes, that individuals who engage in fraudulent schemes, such as the one I believe KANG has engaged in (and possibly continues to engage in), often use off-shore accounts to conceal their ill-gotten proceeds. I know that KANG owns a residence in Seoul, South Korea, and his wife is a citizen of South Korea. In the past two years, KANG has traveled to South Korea and China. Indeed, on August 10, 2015, KANG was scheduled to travel to Seoul, South Korea. While I do not know for sure, I believe that it is likely that KANG may own properties, including the residence in Seoul, South Korea, which were purchased with proceeds of his

fraudulent scheme. For the same reasons, I believe it also likely that KANG has opened bank accounts in Korea, Bermuda (where GULF also has an office), or other foreign countries, which contain money stolen from OTTOGI and other fraud victims.

VI. CONCLUSION

25. Based on my training and experience, and the foregoing facts, there is probable cause to believe that STEPHEN YOUNG KANG has committed a violation of Title 18, United States Code, Section 1343 (Wire Fraud).

Stephen Phillips
SPECIAL AGENT
Federal Bureau of Investigation

Subscribed and sworn to before me
on this _____ day of August 2015.

THE HONORABLE ALICIA G. ROSENBERG
UNITED STATES MAGISTRATE JUDGE