

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	
	:	<b>CRIMINAL COMPLAINT</b>
v.	:	
	:	Mag. No. 21-13103
JOHN JHONG	:	
	:	

I, Vincent Flynn, being duly sworn, state the following is true and correct to the best of my knowledge and belief.

SEE ATTACHMENT A

I further state that I am a Special Agent with the Internal Revenue Service and that this Complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached page and made a part hereof.

  
\_\_\_\_\_  
Vincent Flynn, Special Agent  
Internal Revenue Service

Attested to by the affiant in accordance with the requirements of Fed. R. Crim. P. 4.1(b)(2)(A) by telephone.

Leda Dunn Wettre /s/  
\_\_\_\_\_  
Honorable Leda Dunn Wettre  
United States Magistrate Judge

**ATTACHMENT A**

**COUNT ONE**  
**(Bank Fraud)**

Between in or around April 2020 and in or around October 2020, in the District of New Jersey and elsewhere, the defendant,

**JOHN JHONG,**

did knowingly and intentionally execute and attempt to execute a scheme and artifice to defraud one or more financial institutions, namely: Lender A, Lender B, Lender C, and Lender D, the deposits of which were insured by the Federal Deposit Insurance Corporation, and to obtain money, funds, credits, assets, securities, and other property owned by and under the custody and control of such financial institutions by means of materially false and fraudulent pretenses, representations, and promises.

In violation of Title 18, United States Code, Section 1344(2).

**COUNT TWO**  
**(False Representation of Social Security Number)**

Between in or around April 2020 and in or around October 2020, in the District of New Jersey and elsewhere, the defendant,

**JOHN JHONG,**

with intent to deceive, did cause the payment of federal funds by falsely representing that a social security number was assigned to oneself or another person when in fact such number was not the social security account number assigned to him or to such other person.

In violation of Title 42, United States Code, Section 408(a)(7)(B).

**COUNT THREE**  
**(Money Laundering-Conceal and Disguise)**

Between in or around April 2020 and in or around October 2020, in the District of New Jersey and elsewhere, the defendant,

**JOHN JHONG,**

conducted and attempted to conduct a financial transaction with the proceeds of a specified unlawful activity, namely proceeds from Bank Fraud, in violation of 18 U.S.C. § 1344(2), knowing that the transaction involved the proceeds of unlawful activity and was designed in whole or in part to conceal and disguise the nature, location, source, ownership, and the control of the proceeds of the specified unlawful activity.

In violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

## **ATTACHMENT B**

I, Vincent Flynn, am a Special Agent with the Internal Revenue Service (“IRS”). I have participated in this investigation, discussed this matter with other law enforcement officers, and have reviewed documents and other materials. I have knowledge of the following facts. Because this Criminal Complaint is being submitted only for the limited purpose of establishing probable cause, I have not included each and every fact known to me concerning this investigation. I have set forth only the facts which I believe are necessary to establish probable cause. Unless specifically indicated, all conversations and statements described in this affidavit are related in substance and in part and all dates and figures are approximate.

### **OVERVIEW**

1. Between in or around April 2020 and in or around October 2020, John Jhong (hereinafter “Jhong” or the “defendant”), on behalf his purported businesses, executed a scheme to illegally obtain approximately \$1.9 million dollars in federal Paycheck Protection Program funds by fabricating the purported entities’ income, tax documents, and/or certifying other false representations on numerous Paycheck Protection Program applications (collectively “PPP Loan Applications”).

### **BACKGROUND**

#### ***The Paycheck Protection Program***

2. The Coronavirus Aid, Relief, and Economic Security (hereinafter “CARES”) Act was a federal law enacted in or around March 2020 and designed to provide emergency financial assistance to millions of Americans suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses in operation before February 15, 2020, for job retention and certain other expenses, through a program referred to as the Paycheck Protection Program (hereinafter “PPP”). In or around April 2020, Congress authorized over \$300 billion in additional PPP funding.

3. To obtain a PPP loan, a qualifying business was required to submit a PPP loan application, which is signed by an authorized representative of the business. The PPP loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications in order to be eligible to obtain the PPP loan. In the PPP loan application, the small business (through its authorized representative) was also required to state, among other things, its average monthly payroll expenses and number of employees. These figures were used to calculate the amount of money that the small business was eligible to receive under the PPP. In addition,

businesses applying for a PPP loan had to provide documentation showing their payroll expenses.

4. Thereafter, the PPP loan application would be processed and if approved, funded by a participating lender, which funded the PPP loan using its own monies that are 100% guaranteed by the Small Business Administration (hereinafter “SBA”). Data from the application, including information about the borrower, the total amount of the loan, and the listed number of employees, was transmitted by the lender to the SBA in the course of processing the loan. PPP loan proceeds had to be used by the business on certain permissible expenses—payroll costs, interest on mortgages, rent, and utilities. The PPP allowed the interest and principal on the PPP loan to be entirely forgiven if the business spent the loan proceeds on these expense items, and provided proof, within a designated period after receiving the proceeds.

5. In the PPP Loan Applications at issue, the defendant certified that the information he provided to four lending financial institutions, including all the supporting documents and forms, were true and accurate in all material respects.

### ***Relevant Individuals, Entities and Financial Institutions***

During the period relevant to this Complaint:

6. Jhong was a resident of Sparta, Jersey.

7. Jhong was the self-reported owner, manager, and/or partner of the following limited liability companies (hereinafter “LLC”): Central Fur Storage LLC; MC Services LLC; Central Apparel LLC; Rose Lane Associates LLC; Speedez Cleaners of the Summit LLC; Rose Lane Funding VII LLC; Blockbuster Products LLC; Central Staffing LLC, a/k/a “Central Staffing Services”; Speedez Cleaners LLC; and Central Express LLC (collectively the “Jhong Entities”)

8. Lender A was a financial institution as defined under Title 18, United States Code, Section 20(1) whose deposits were insured by the Federal Deposit Insurance Corporation (hereinafter “FDIC”). Lender A was headquartered in Charlotte, North Carolina.

9. Lender B was a financial institution as defined under Title 18, United States Code, Section 20(6) and was a depository institution holding company. Lender B was headquartered in Lake Forest, California.

10. Lender C was a financial institution as defined under Title 18, United States Code, Section 20(5) and served as a nonbank small business investment lender. Lender C was headquartered in Lake Mary, Florida.

11. Lender D was financial institution under Title 18, United States Code, Section 20(1) whose deposits were insured by the FDIC. Lender D was headquartered in Boston, Massachusetts.

12. Lender A, Lender B, Lender C and Lender D (collectively, the “Lenders”) all were participating PPP lending financial institutions.

13. Financial Institution 1 was a financial institution under Title 18, United States Code, Section 20(1), whose deposits were insured by the FDIC. Financial Institution 1 was headquartered in Buffalo, New York and provided banking services to customers in New Jersey and throughout the United States. Jhong maintained a business checking account for one of the Jhong Entities at Financial Institution 1.

#### **SCHEME TO DEFRAUD**

14. Between April 2020 through October 2020, Jhong submitted ten PPP Loan Applications to the Lenders, in order to fraudulently obtain funds through the PPP.

15. Based on the false information Jhong provided in the PPP Loan Applications, the Lenders funded ten loans to the Jhong Entities as follows:

<b>Loan#</b>	<b>Entity</b>	<b>Date Disbursed</b>	<b>Funding Financial Institution</b>	<b>Loan Amount</b>
1.	Central Fur Storage LLC	May 5, 2020	Lender A	\$20,833.00
2.	MC Services LLC	May 5, 2020	Lender A	\$81,436.00
3	Central Apparel LLC	May 5, 2020	Lender A	\$20,835.00
4	Rose Lane Associates LLC	May 5, 2020	Lender A	\$20,833.00
5.	Speedez Cleaners of Summit LLC	May 15, 2020	Lender A	\$96,197.00

6.	Rose Lane Funding VII LLC	May 28, 2020	Lender B	\$346,312.00
7.	Blockbuster Products LLC	July 10, 2020	Lender C	\$100,000.00
8.	Central Staffing LLC	July 16, 2020	Lender D	\$634,573.00
9.	Speedez Cleaners LLC	July 30, 2020	Lender D	\$552,176.00
10.	Central Express LLC	October 9, 2020	Lender D	\$104,295.00

16. On each of the PPP Loan Applications, Jhong listed his home address in Sparta, New Jersey as his place of residence.

***Jhong’s False Representations to Lenders***

17. The IRS treats as a sole proprietorship any LLC with only one owner and requires the owner to file a yearly IRS Form 1040 (an individual tax return) with a Schedule C (showing the business’s revenue). An LLC that has more than one owner/partner is treated as a partnership and is required to file a yearly IRS Form 1065 (partnership tax return) with accompanying Schedule K-1s (showing each partner’s earnings, losses, deductions, and credits). The Lenders relied on such tax information, as part of the PPP loan application, when determining the appropriate PPP loan amount.

18. On behalf of each of the Jhong Entities, Jhong provided the Lenders with either a purported 2019 IRS Form 1040 Schedule C and/or a purported 2019 IRS Form 1065 with Schedule K-1s (listing multiple business partners) in connection with each of the PPP Loan Applications.

19. According to IRS records, none of the tax documents Jhong submitted with the PPP Loan applications were ever filed with the IRS. Specifically, IRS records revealed that in 2018 and 2019, none of the Jhong Entities filed an IRS Form 1065 tax return or Schedule K-1. Similarly, in 2019, Jhong failed to file an IRS Form 1040 tax return or Schedule C.

20. Not only were these tax forms never filed with the IRS, there is probable cause to believe the information within the forms that Jhong submitted to the Lenders was falsified. Specifically, in the application for PPP Loan Nos. 1-6, despite listing himself as the 100% owner for each entity, Jhong submitted to Lenders A and B both an IRS Form 1040 with Schedule C and an IRS Form 1065



with Schedule K-1s. Notwithstanding whether Jhong should have submitted an IRS Form 1040 (sole proprietorship tax return) or an IRS Form 1065 (partnership tax return), the amounts related to the Jhong Entities' 2019 gross receipts, total deductions and income loss should have been the same for the same tax year. However, in comparing each of the Jhong Entities' respective 2019 IRS Form 1040 and Schedule C purported filings to that of the same entity's 2019 IRS Form 1065 purported filings, the figures related to the respective Jhong Entity's gross receipts, total deductions and income loss were grossly incongruent for the same tax year.

21. For example, in PPP Loan Application No. 6, Jhong submitted an IRS Form 1065 which stated that in 2019 Rose Lane Funding VII LLC had gross receipts of \$1,866,300.00, total deductions of \$1,862,230.00, and income of \$4,070.00. Jhong also submitted an IRS 1040 Form Schedule C in support of PPP Loan Application No. 6, which stated that in 2019 Rose Lane Funding VII LLC had gross receipts of \$491,050.00, total deductions of \$487,271.00, and income loss of \$3,779.00. Similar discrepancies were found in PPP Loan Applications Nos. 1-5.

22. In support of PPP Loan Applications Nos. 6-10, Jhong also submitted numerous Schedule K-1s to Lender B, Lender C, and Lender D. The investigation has revealed that the social security numbers listed on the Schedule K-1s that purportedly belonged to Jhong's "business partners" were actually assigned to people other than the "partners" listed on the Schedule K-1s, including several individuals who have been deceased for over a decade.

23. In PPP Loan Applications Nos. 3 and 6-10, Jhong submitted Schedule K-1s to the Lenders that bore taxpayer identification numbers that were assigned to entities other than the entities listed on the Schedule K-1s.

24. In PPP Loan Application No. 6, Jhong submitted to Lender B a 2019 IRS Form 1065 reflecting that Rose Lane Funding VII LLC earned \$1,866,300. However, bank records revealed that in 2019, Rose Lane Funding VII LLC had less than \$410,000 in total deposits in its bank accounts.

25. Pursuant to the CARES Act, a business established after February 15, 2020, is not eligible to receive PPP loan funds. In accordance with this requirement, Jhong certified in each of the PPP Loan Applications at issue that the Jhong Entity was in operation on or before February 15, 2020; however, the investigation has revealed that this was not true regarding PPP Loan Application No. 10.

26. In PPP Loan Application No. 10, in support of his certification that Central Express LLC was in operation on or before February 15, 2020, Jhong, provided Lender D with the purported Articles of Incorporation for Central Express LLC reflecting that the entity was established in Wyoming on or about February 21, 2018 (the “Articles”).

27. Wyoming state records revealed, however, that the Articles Jhong submitted were falsified. The Articles that Jhong submitted listed an identification number ending in 0313. According to Wyoming state records, this identification number was assigned to Central Fur Storage LLC, not Central Express LLC. Furthermore, while Central Fur Storage LLC was established on or about February 21, 2018, Wyoming state records further revealed that Central Express LLC, which has an identification number ending in 6735, was not established until July 1, 2020.

### ***Jhong Concealed Illegally Obtained PPP Funds***

28. On or about May 28, 2020, Lender B disbursed approximately \$346,312.00 in PPP funds into the Rose Lane VII LLC bank account based on Jhong’s false representations in PPP Loan Application No. 6. Thereafter, on or about July 1, 2020, Jhong converted approximately \$330,000 of those funds into a cashier’s check (hereinafter the “cashier’s check”).

29. On or about September 30, 2020, Jhong used the cashier’s check to open a business account at Financial Institution 1. Jhong provided Financial Institution 1 with a falsified document reflecting that the cashier’s check derived from a trust account that was funded by the sale of one of the Jhong Entities in an effort to conceal the source of the cashier’s check. However, the cashier’s check actually was funded by the proceeds of Rose Lane Funding VII’s false PPP Loan Application No. 6. Moreover, the investigation revealed that the trust account that Jhong claimed was the source of the cashier’s check did not exist.