IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

UNITED STATES OF AMERICA,

v.

CARL CHEN,

Defendant.

Criminal Action No. 19 - 15-UNA

INFORMATION

The United States Attorney for the District of Delaware charges that:

COUNT ONE
(Wire Fraud)

Introduction

1. At all times relevant to this Information, the defendant, CARL CHEN ("CHEN"), was part-owner and the registered broker of RE/MAX Sunvest Realty Corporation ("RE/MAX Sunvest"). RE/MAX Sunvest is a Delaware corporation that was incorporated in 1987 as Sunvest Realty.

2. At all times relevant to this Information, CHEN owned and solely operated Chenmax Properties, Inc. ("Chenmax"), a Real Estate Investment Trust incorporated in the State of Delaware in 1997.

3. As registered broker of RE/MAX Sunvest, CHEN represented buyers and sellers with respect to their purchase and sale of property in Delaware.

4. Beginning in or around 1991 and continuing to in or around 2017, CHEN solicited potential investors, including current and former RE/MAX Sunvest

clients, to invest funds with him for the purpose of purchasing real estate. After incorporating Chenmax, CHEN continued to solicit investors to invest in real estate with him through Chenmax. CHEN generally promised investors annual returns of 10% to 15%, and signed a promissory note guaranteeing each investor interest-only payments on a monthly basis until such time as he paid back the investor his or her full principal investment. The promissory notes also represented that investors could obtain full repayment of their principal payments after providing written notice to CHEN.

5. Between 1991 and 2017, CHEN obtained at least $6.4 million in investments from 41 investors. CHEN represented to each of these investors that their investments would go to the purchase of real estate and that they would obtain guaranteed annual returns of 10% to 15% in addition to a full repayment of their principal investments.

6. As time went on, CHEN's debt to investors continued to grow as he accepted more investment funds, with the attendant obligation of monthly payments of the promised 10% to 15% in annual interest returns.

7. Beginning in or about March 2013, CHEN's real estate holdings were no longer able to support the monthly interest payments owed to investors. As a result, contrary to what he told his investors, CHEN no longer spent new investor money on real estate investments. Between March 2013 and October 2017, CHEN only purchased one property with investor funds for $11,185.

8. Instead, CHEN used new investor money to pay interest payments owed to prior investors, despite continuing to promise between 10% and 15% guaranteed interest returns on new investments. Investors continued to invest with CHEN, however, because of the high interest returns he promised and because he had a track record of paying investors their monthly interest payments every month.

9. As CHEN continued to bring in more and more investor money to pay off prior investors, his monthly interest obligations became larger and larger. Beginning in or around the fall of 2016, CHEN stopped paying some investors their guaranteed monthly interest payments. As some investors began to demand repayment of their principal investments, CHEN offered excuses why he could not pay them back. When one investor demanded repayment, CHEN offered a mortgage on his own residence, Residence 1, in exchange for the investor not demanding immediate repayment. The investor agreed and was given a mortgage on Residence 1 in August 2016. The mortgage required that CHEN could not further encumber the property.

10. Despite that requirement, in January 2017, CHEN offered another investor a mortgage on Residence 1, without telling that investor he had previously given a mortgage to another investor and in contravention of the mortgage terms. In all, CHEN encumbered Residence 1 with six mortgages that were worth more than the total value of the home.

11. By in or around February 2017, CHEN was no longer able to obtain new investor funds. With monthly interest payments owed in excess of $50,000 a month to prior investors, CHEN could no longer pay prior investors. Despite this, CHEN continued to seek new investor funds into his real estate business. In a February 19, 2017 email to an investor, CHEN wrote "I still have a viable real estate business, and my chance of paying you back is much higher with my company in operating and in good standing." In the same email, CHEN also said "I need to focus on getting more incomes and revenues instead of being bogged down with investigations."

12. On or about October 24, 2017, CHEN filed for Chapter 7 Bankruptcy protection in the United States Bankruptcy Court for the District of Delaware.

13. Chen's bankruptcy petition sought to discharge at least $6.738 million in money investors loaned to CHEN, including through Chenmax, for real estate investments. The bankruptcy debt included at least $3.32 million in new investor funds CHEN obtained, through Chenmax, between in or about March 2013 and in or about January 2017.

The Scheme and Artifice To Defraud

14. Beginning by at least in or about March 2013, and continuing through in or about March 2017, CHEN engaged in a scheme and artifice to fraudulently induce investor victims to invest money with CHEN and/or Chenmax.

15. It was part of the scheme to defraud that in exchange for victims' investments CHEN falsely:

- represented to the victims that he would invest their capital in real estate;
- guaranteed the victims annual interest returns between 10% and 15% on their real estate investments in addition to a full principal repayment; and
- promised victims they could obtain a full return of their principal, upon request.

When in truth and in fact CHEN knew he would use those funds to pay earlier investors and personal expenses and would not be able to make interest or principal payments as promised.

16. In furthering the scheme to defraud, CHEN sent investors "lulling payments" in the form of monthly interest payments. These payments were designed to lead investors to believe that their investments were safe with CHEN and that their funds were being used by CHEN to produce income through real estate investments.

17. Between in or about March 2013 and on or about March 2017, CHEN solicited and/or accepted $3.32 million in new investments from 21 victims, falsely representing that: (1) the funds would be invested in real estate; and (2) the victims would obtain full repayment of their principal in addition to regular interest payments. Despite those representations, CHEN spent only $11,185 of investor funds to purchase one property during that period.

Charging Paragraph

18. Paragraphs 1-17 are incorporated as if set forth fully herein.

19. From in or about March 2013 to in or about March 2017, in the District of Delaware, CARL CHEN, defendant herein, having devised and intending to devise a scheme and artifice to defraud, as described in paragraphs 1 through 17 above, and for the purposes of executing such scheme and artifice to defraud and for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, did knowingly transmit and cause to be transmitted by means of a wire communication in interstate commerce, as set forth below, including, but not limited to, the following:

- On or about November 23, 2014, an email from CHEN's email account to Person A;
- On or about April 19, 2015, an email from CHEN's email account to Person B;
- On or about June 24, 2015, an email from CHEN's email account to Person A; and
- On or about April 29, 2016, an email from CHEN's email account to Person B;

All in violation of Title 18, United States Code, Section 1343.

NOTICE OF FORFEITURE

Upon conviction of the offense alleged in Count One of this Information, CARL CHEN, defendant herein, shall forfeit to the United States pursuant to 18 U.S.C. Section 981(a)(1)(c) and 28 U.S.C. Section 2461 any property constituting or derived from proceeds obtained directly or indirectly as a result of the said violation.

If the above-described forfeitable property, 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;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

DAVID C. WEISS
United States Attorney

BY: */s/ Alexander P. Ibrahim*
Alexander P. Ibrahim
Assistant United States Attorney

DATED: January 29, 2019