NO. _____

**IN THE**

**SUPREME COURT OF THE UNITED STATES**

October Term, 2019

---

HYUN JOO HONG and SONG HONG,

*Petitioners,*

v.

UNITED STATES OF AMERICA,

*Respondent.*

---

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Ninth Circuit

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# APPENDIX TO THE PETITION FOR A WRIT OF CERTIORARI

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# APPENDIX A

FILED

MAR 17 2020

MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

**NOT FOR PUBLICATION**

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff-Appellee,<br><br>v.<br><br>SUNG HONG, AKA Laurence Hong, AKA Lawrence Hong,<br><br>Defendant-Appellant. | No. 18-30224<br><br>D.C. No. 2:17-cr-00163-TSZ-1<br><br>MEMORANDUM* |

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff-Appellee,<br><br>v.<br><br>HYUN JOO HONG, AKA Grace Hong,<br><br>Defendant-Appellant. | No. 18-30227<br><br>D.C. No. 2:17-cr-00163-TSZ-2 |

Appeal from the United States District Court
for the Western District of Washington
Thomas S. Zilly, District Judge, Presiding

* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

Submitted March 5, 2020[**]
Seattle, Washington

Before: IKUTA and R. NELSON, Circuit Judges, and OLIVER,[***] District Judge.

Lawrence and Grace Hong appeal the district court's judgments sentencing Lawrence Hong to a 180 month custodial term and Grace Hong to a 72 month custodial term. We have jurisdiction under 28 U.S.C. § 1291.

The Hongs claim that the district court violated their First Amendment right to free exercise of religion and their Fifth Amendment right to due process by mentioning religion in the sentencing hearing. Because they raise this claim for the first time on appeal, we review it for plain error. *See United States v. Chi Mak*, 683 F.3d 1126, 1133 (9th Cir. 2012). The district court did not plainly err in describing how the Hongs used religion to carry out their fraudulent scheme, in commenting on video footage showing Grace Hong speaking to a church group, or in mentioning the spiritual harm suffered by the Hongs' victims. The Hongs point to no binding legal authority precluding a sentencing court from considering the religion of the victims or noting the spiritual impact of an offense on the victims. And the evidence that the Hongs point to clearly contradicts their assertions that

[**] The panel unanimously concludes this case is suitable for decision without oral argument. *See* Fed. R. App. P. 34(a)(2).

[***] The Honorable Solomon Oliver, Jr., United States District Judge for the Northern District of Ohio, sitting by designation.

the court discriminated against them on the basis of their religion, *see Zant v. Stephens*, 462 U.S. 862, 885 (1983), and that the court based their sentences on its own religious convictions.

The district court did not err in considering information in the government's supplemental sentencing memorandum pertinent to Grace Hong. *See Nichols v. United States*, 511 U.S. 738, 747 (1994); 18 U.S.C. § 3661. The government gave Grace Hong the information during discovery, and she acknowledged in her plea agreement that information of this sort might be introduced "at the time of sentencing." Grace Hong had the opportunity to dispute the information at her sentencing hearing. *See United States v. Brady*, 895 F.2d 538, 542 (9th Cir. 1990). Although she objected to the district court's consideration of the information, she failed to challenge the information's veracity or request a continuance. Because she had knowledge of the adverse information on which her sentence was based and an opportunity to contest that information, her claim fails. *Cf. Gardner v. Florida*, 430 U.S. 349, 358, 362 (1977) (plurality opinion); *United States v. Perri*, 513 F.2d 572, 574 (9th Cir. 1975).

Because the Hongs' sentences were not illegal, *see United States v. Torres*, 828 F.3d 1113, 1125 (9th Cir. 2016), and they were sentenced below the

Guidelines ranges that the court determined at the time of sentencing, the Hongs' appellate waivers apply.

**DISMISSED.**

# APPENDIX B

# UNITED STATES DISTRICT COURT

Western District of Washington

UNITED STATES OF AMERICA

v.

SUNG HONG

**AMENDED JUDGMENT IN A CRIMINAL CASE**

Case Number: 2:17CR00163TSZ-001

USM Number: 35892-086

C. James Frush
Defendant's Attorney

**Date of Original Judgment:** 10/11/2018
(Or Date of Last Amended Judgment)

**Reason for Amendment:**

- ☐ Correction of Sentence on Remand (18 U.S.C. 3742(f)(1) and (2))
- ☐ Reduction of Sentence for Changed Circumstances (Fed. R. Crim. P. 35(b))
- ☐ Correction of Sentence by Sentencing Court (Fed. R. Crim. P. 35(a))
- ☒ Correction of Sentence for Clerical Mistake (Fed. R. Crim. P. 36)
- ☐ Modification of Supervision Conditions (18 U.S.C. §§ 3563(c) or 3583(e))
- ☐ Modification of Imposed Term of Imprisonment for Extraordinary and Compelling Reasons (18 U.S.C. § 3582(c)(1))
- ☐ Modification of Imposed Term of Imprisonment for Retroactive Amendment(s) to the Sentencing Guidelines (18 U.S.C. § 3582(c)(2))
- ☐ Direct Motion to District Court Pursuant
  - ☐ 28 U.S.C. § 2255 or
  - ☐ 18 U.S.C. § 3559(c)(7)
- ☐ Modification of Restitution Order (18 U.S.C. § 3664)

**THE DEFENDANT:**

- ☒ pleaded guilty to count(s) 1, 21, and 23
- ☐ pleaded nolo contendere to count(s) _____ which was accepted by the court.
- ☐ was found guilty on count(s) _____ after a plea of not guilty.

The defendant is adjudicated guilty of these offenses:

| Title & Section | Nature of Offense | Offense Ended | Count |
|---|---|---|---|
| 18 U.S.C. §1349 | Conspiracy to Commit Wire Fraud | 06/02/2017 | 1 |
| 18 U.S.C. §1956(h) | Conspiracy to Launder Monetary Instruments | 06/02/2017 | 21 |
| 18 U.S.C. §1001(a)(2) | False Statements | 08/19/2016 | 23 |

The defendant is sentenced as provided in pages 2 through 8 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

- ☐ The defendant has been found not guilty on count(s) _____
- ☒ Count(s) 2-20 and 22 ☐ is ☒ are dismissed on the motion of the United States.

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States Attorney of material changes in economic circumstances.

Justin Arnold/Steven Masada
Assistant United States Attorney

Oct. 11, 2018
Date of Imposition of Judgment

Signature of Judge

Thomas S. Zilly, United States District Judge
Name and Title of Judge

10/24/18
Date

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of:

180 months for counts 1, 21, and 23, to run concurrently

☒ The court makes the following recommendations to the Bureau of Prisons:

Placement at Lompoc or Terminal Island

☒ The defendant is remanded to the custody of the United States Marshal.

☐ The defendant shall surrender to the United States Marshal for this district:

☐ at _____ ☐ a.m. ☐ p.m. on _____ .

☐ as notified by the United States Marshal.

☐ The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

☐ before 2 p.m. on _____ .

☐ as notified by the United States Marshal.

☐ as notified by the Probation or Pretrial Services Office.

### RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to _____

at _____ , with a certified copy of this judgment.

_____
UNITED STATES MARSHAL

By _____
DEPUTY UNITED STATES MARSHAL

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## SUPERVISED RELEASE

Upon release from imprisonment, you will be on supervised release for a term of :
3 years

## MANDATORY CONDITIONS

1. You must not commit another federal, state or local crime.
2. You must not unlawfully possess a controlled substance.
3. You must refrain from any unlawful use of a controlled substance. You must submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.
   - ☐ The above drug testing condition is suspended, based on the court's determination that you pose a low risk of future substance abuse. *(check if applicable)*
4. ☒ You must make restitution in accordance with 18 U.S.C. §§ 3663 and 3663A or any other statute authorizing a sentence of restitution. *(check if applicable)*
5. ☒ You must cooperate in the collection of DNA as directed by the probation officer. *(check if applicable)*
6. ☐ You must comply with the requirements of the Sex Offender Registration and Notification Act (34 U.S.C. § 20901, *et seq.*) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in which you reside, work, are a student, or were convicted of a qualifying offense. *(check if applicable)*
7. ☐ You must participate in an approved program for domestic violence. *(check if applicable)*

You must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached pages.

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## STANDARD CONDITIONS OF SUPERVISION

As part of your supervised release, you must comply with the following standard conditions of supervision. These conditions are imposed because they establish the basic expectations for your behavior while on supervision and identify the minimum tools needed by probation officers to keep informed, report to the court about, and bring about improvements in your conduct and condition.

1. You must report to the probation office in the federal judicial district where you are authorized to reside within 72 hours of your release from imprisonment, unless the probation officer instructs you to report to a different probation office or within a different time frame.
2. After initially reporting to the probation office, you will receive instructions from the court or the probation officer about how and when you must report to the probation officer, and you must report to the probation officer as instructed.
3. You must not knowingly leave the federal judicial district where you are authorized to reside without first getting permission from the court or the probation officer.
4. You must answer truthfully the questions asked by your probation officer.
5. You must live at a place approved by the probation officer. If you plan to change where you live or anything about your living arrangements (such as the people you live with), you must notify the probation officer at least 10 days before the change. If notifying the probation officer in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
6. You must allow the probation officer to visit you at any time at your home or elsewhere, and you must permit the probation officer to take any items prohibited by the conditions of your supervision that he or she observes in plain view.
7. You must work full time (at least 30 hours per week) at a lawful type of employment, unless the probation officer excuses you from doing so. If you do not have full-time employment you must try to find full-time employment, unless the probation officer excuses you from doing so. If you plan to change where you work or anything about your work (such as your position or your job responsibilities), you must notify the probation officer at least 10 days before the change. If notifying the probation officer at least 10 days in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
8. You must not communicate or interact with someone you know is engaged in criminal activity. If you know someone has been convicted of a felony, you must not knowingly communicate or interact with that person without first getting the permission of the probation officer.
9. If you are arrested or questioned by a law enforcement officer, you must notify the probation officer within 72 hours.
10. You must not own, possess, or have access to a firearm, ammunition, destructive device, or dangerous weapon (i.e., anything that was designed, or was modified for, the specific purpose of causing bodily injury or death to another person such as nunchakus or tasers).
11. You must not act or make any agreement with a law enforcement agency to act as a confidential human source or informant without first getting the permission of the court.
12. If the probation officer determines that you pose a risk to another person (including an organization), the probation officer may require you to notify the person about the risk and you must comply with that instruction. The probation officer may contact the person and confirm that you have notified the person about the risk.
13. You must follow the instructions of the probation officer related to the conditions of supervision.

## U.S. Probation Office Use Only

A U.S. probation officer has instructed me on the conditions specified by the court and has provided me with a written copy of this judgment containing these conditions. For further information regarding these conditions, see *Overview of Probation and Supervised Release Conditions*, available at www.uscourts.gov.

Defendant's Signature _____ Date _____

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## SPECIAL CONDITIONS OF SUPERVISION

1. The defendant's employment must be approved in advance by the probation officer. The defendant may not engage in any paid occupation or volunteer service that exposes him/her, either directly or indirectly, to minors, unless approved in advance by the probation officer.

2. The defendant shall provide the probation officer with access to any requested financial information including authorization to conduct credit checks and obtain copies of the defendant's federal income tax returns.

3. The defendant shall disclose all assets and liabilities to the probation office. The defendant shall not transfer, sell, give away, or otherwise convey any asset, without first consulting with the probation office.

4. If the defendant maintains interest in any business or enterprise, the defendant shall, upon request, surrender and/or make available, for review, any and all documents and records of said business or enterprise to the probation office.

5. The defendant shall maintain a single checking account in his or her name. The defendant shall deposit into this account all income, monetary gains, or other pecuniary proceeds, and make use of this account for payment of all personal expenses. This account, and all other bank accounts, must be disclosed to the probation office.

6. The defendant shall be prohibited from incurring new credit charges, opening additional lines of credit, or obtaining a loan without approval of the defendant's U.S. Probation Officer.

7. Restitution in the amount of $12,726,352.67 is due immediately. Any unpaid amount is to be paid during the period of supervision in monthly installments of not less than 10% of his or her gross monthly household income. Interest on the restitution shall be waived.

8. The defendant shall submit his or her person, property, house, residence, storage unit, vehicle, papers, computers (as defined in 18 U.S.C.§1030(e)(1)), other electronic communications or data storage devices or media, or office, to a search conducted by a United States probation officer, at a reasonable time and in a reasonable manner, based upon reasonable suspicion of contraband or evidence of a violation of a condition of supervision. Failure to submit to a search may be grounds for revocation. The defendant shall warn any other occupants that the premises may be subject to searches pursuant to this condition.

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## CRIMINAL MONETARY PENALTIES

The defendant must pay the total criminal monetary penalties under the schedule of payments on Sheet 6.

| | Assessment | JVTA Assessment* | Fine | Restitution |
|---|---|---|---|---|
| TOTALS | $ 300 | $ N/A | $ Waived | $ 12,726,352.67 |

☐ The determination of restitution is deferred until _____. An *Amended Judgment in a Criminal Case (AO 245C)* will be entered after such determination.

☐ The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment, unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

| Name of Payee | Total Loss* | Restitution Ordered | Priority or Percentage |
|---|---|---|---|
| See Appendix A | | $12,726,352.67 | |
| TOTALS | $ 0.00 | $12,726,352.67 | |

☐ Restitution amount ordered pursuant to plea agreement $ _____

☐ The defendant must pay interest on restitution and a fine of more than $2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).

☒ The court determined that the defendant does not have the ability to pay interest and it is ordered that:

☒ the interest requirement is waived for the ☐ fine ☒ restitution

☐ the interest requirement for the ☐ fine ☐ restitution is modified as follows:

☒ The court finds the defendant is financially unable and is unlikely to become able to pay a fine and, accordingly, the imposition of a fine is waived.

* Justice for Victims of Trafficking Act of 2015, Pub. L. No. 114-22.

** Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

## SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

☒ PAYMENT IS DUE IMMEDIATELY. Any unpaid amount shall be paid to Clerk's Office, United States District Court, 700 Stewart Street, Seattle, WA 98101.

☒ During the period of imprisonment, no less than 25% of their inmate gross monthly income or $25.00 per quarter, whichever is greater, to be collected and disbursed in accordance with the Inmate Financial Responsibility Program.

☒ During the period of supervised release, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after release from imprisonment.

☐ During the period of probation, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after the date of this judgment.

The payment schedule above is the minimum amount that the defendant is expected to pay towards the monetary penalties imposed by the Court. The defendant shall pay more than the amount established whenever possible. The defendant must notify the Court, the United States Probation Office, and the United States Attorney's Office of any material change in the defendant's financial circumstances that might affect the ability to pay restitution.

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program are made to the United States District Court, Western District of Washington. For restitution payments, the Clerk of the Court is to forward money received to the party(ies) designated to receive restitution specified on the Criminal Monetaries (Sheet 5) page.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

☒ Joint and Several

Defendant and Co-Defendant Names and Case Numbers *(including defendant number)*, Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

* $12,726,352.67, the total amount ordered against co-defendant Hyun Joo Hong, United States v. Hyun Joo Hong, CR17-161-2 TSZ

☐ The defendant shall pay the cost of prosecution.

☐ The defendant shall pay the following court cost(s):

☒ The defendant shall forfeit the defendant's interest in the following property to the United States:

Property listed on the Preliminary Order of Forfeiture

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) JVTA Assessment, (8) penalties, and (9) costs, including cost of prosecution and court costs.

DEFENDANT: **SUNG HONG**
CASE NUMBER: 2:17CR00163TSZ-001

APPENDIX A

| Victim | Loss |
|---|---|
| S.A. | $20,000.00 |
| D.A. & J.A. | $3,916,800.00 |
| C.A | $22,572.38 |
| P.B. & M.K.B | $55,630.26 |
| A.J.C. | $64,500.00 |
| J.C. & J.C. | $136,800.00 |
| A.C. & S.H.C | $3,000,000.00 |
| D.C. | $230,687.60 |
| A.C. | $11,750.00 |
| H.C. & J.C | $218,679.49 |
| J.C. | $227,121.00 |
| L.E | $134,814.81 |
| C.E & E.E | $100,000.00 |
| K.G. & M.G | $95,766.83 |
| J.G & K.G. | $19,500.00 |
| P.K. & A.K. | $247,715.12 |
| M.K. | $1,356,828.10 |
| B.W.K. | $16,800.00 |
| P.N. & J. N. | $186,430.88 |
| B.O. & R.O. | $1,112.24 |
| S.C.O. | $42,000.00 |
| J.Y.P. | $25,200.00 |
| G.K.P. | $50,000.00 |
| S.Q. & J.Q. | $230,934.43 |
| C.S. & A.S. | $568,130.00 |
| S.W.C. | $277,716.49 |
| M.S. & S.S. | $987,951.14 |
| J.S. & J.K. | $50,000.00 |
| S.S. | $20,000.00 |
| C.S. | $3,586.94 |
| T.C.I. | $54,171.27 |
| C.V. & M.V. | $63,403.69 |
| M.H.Y. & Y.J.Y. | $149,700.00 |
| Y.Y. | $10,000.00 |
| K.Y. | $130,050.00 |
| | **$12,726,352.67** |

AO245C (Rev. 11/16) Amended Judgment in a Criminal Case Sheet 1 (NOTE: Identify Changes with Asterisks(*))

# UNITED STATES DISTRICT COURT

Western District of Washington

UNITED STATES OF AMERICA

v.

HYUN JOO HONG

**AMENDED JUDGMENT IN A CRIMINAL CASE**

Case Number: 2:17CR00163TSZ-002

USM Number: 48458-086

Thomas W. Hillier / Michelle L. Malley
Defendant's Attorney

**Date of Original Judgment:** 10/11/2018
(Or Date of Last Amended Judgment)

**Reason for Amendment:**

- ☐ Correction of Sentence on Remand (18 U.S.C. 3742(f)(1) and (2))
- ☐ Reduction of Sentence for Changed Circumstances (Fed. R. Crim. P. 35(b))
- ☐ Correction of Sentence by Sentencing Court (Fed. R. Crim. P. 35(a))
- ☒ Correction of Sentence for Clerical Mistake (Fed. R. Crim. P. 36)
- ☐ Modification of Supervision Conditions (18 U.S.C. §§ 3563(c) or 3583(e))
- ☐ Modification of Imposed Term of Imprisonment for Extraordinary and Compelling Reasons (18 U.S.C. § 3582(c)(1))
- ☐ Modification of Imposed Term of Imprisonment for Retroactive Amendment(s) to the Sentencing Guidelines (18 U.S.C. § 3582(c)(2))
- ☐ Direct Motion to District Court Pursuant
  - ☐ 28 U.S.C. § 2255 or
  - ☐ 18 U.S.C. § 3559(c)(7)
- ☐ Modification of Restitution Order (18 U.S.C. § 3664)

**THE DEFENDANT:**

- ☒ pleaded guilty to count(s) 1, 4, 8, 9, and 12
- ☐ pleaded nolo contendere to count(s) _____ which was accepted by the court.
- ☐ was found guilty on count(s) _____ after a plea of not guilty.

The defendant is adjudicated guilty of these offenses:

| Title & Section | Nature of Offense | Offense Ended | Count |
|---|---|---|---|
| 18 U.S.C. §1349 | Conspiracy to Commit Wire Fraud | 06/2/2017 | 1 |
| 18 U.S.C. §1343 | Wire Fraud | | 4 |
| 18 U.S.C. §1343 | Wire Fraud | | 8 |
| 18 U.S.C. §1343 | Wire Fraud | | 9 |
| 18 U.S.C. §1343 | Wire Fraud | | 12 |

The defendant is sentenced as provided in pages 2 through 8 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

- ☐ The defendant has been found not guilty on count(s) _____
- ☒ Count(s) 2, 3, 5-7, 10, 11, 13-22, and 24 ☐ is ☒ are dismissed on the motion of the United States.

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States Attorney of material changes in economic circumstances.

Justin Arnold/Steven Masada
Assistant United States Attorney

Oct. 11, 2018
Date of Imposition of Judgment

Signature of Judge

Thomas S. Zilly, United States District Judge
Name and Title of Judge

10/24/18
Date

DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of:

72 months on counts 1, 4, 8, 9, and 12, to run concurrently

☒ The court makes the following recommendations to the Bureau of Prisons:

Placement as close to Seattle, WA as possible

☐ The defendant is remanded to the custody of the United States Marshal.

☐ The defendant shall surrender to the United States Marshal for this district:

☐ at _____ ☐ a.m. ☐ p.m. on _____ .

☐ as notified by the United States Marshal.

☒ The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

☐ before 2 p.m. on _____ .

☐ as notified by the United States Marshal.

☒ as notified by the Probation or Pretrial Services Office**, but not earlier than January 10, 2019.**

### RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to _____

at _____ , with a certified copy of this judgment.

_____
UNITED STATES MARSHAL

By _____
DEPUTY UNITED STATES MARSHAL

DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## SUPERVISED RELEASE

Upon release from imprisonment, you will be on supervised release for a term of :
3 years

## MANDATORY CONDITIONS

1. You must not commit another federal, state or local crime.
2. You must not unlawfully possess a controlled substance.
3. You must refrain from any unlawful use of a controlled substance. You must submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.
   - ☐ The above drug testing condition is suspended, based on the court's determination that you pose a low risk of future substance abuse. *(check if applicable)*
4. ☒ You must make restitution in accordance with 18 U.S.C. §§ 3663 and 3663A or any other statute authorizing a sentence of restitution. *(check if applicable)*
5. ☒ You must cooperate in the collection of DNA as directed by the probation officer. *(check if applicable)*
6. ☐ You must comply with the requirements of the Sex Offender Registration and Notification Act (34 U.S.C. § 20901, *et seq.*) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in which you reside, work, are a student, or were convicted of a qualifying offense. *(check if applicable)*
7. ☐ You must participate in an approved program for domestic violence. *(check if applicable)*

You must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached pages.

DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## STANDARD CONDITIONS OF SUPERVISION

As part of your supervised release, you must comply with the following standard conditions of supervision. These conditions are imposed because they establish the basic expectations for your behavior while on supervision and identify the minimum tools needed by probation officers to keep informed, report to the court about, and bring about improvements in your conduct and condition.

1. You must report to the probation office in the federal judicial district where you are authorized to reside within 72 hours of your release from imprisonment, unless the probation officer instructs you to report to a different probation office or within a different time frame.
2. After initially reporting to the probation office, you will receive instructions from the court or the probation officer about how and when you must report to the probation officer, and you must report to the probation officer as instructed.
3. You must not knowingly leave the federal judicial district where you are authorized to reside without first getting permission from the court or the probation officer.
4. You must answer truthfully the questions asked by your probation officer.
5. You must live at a place approved by the probation officer. If you plan to change where you live or anything about your living arrangements (such as the people you live with), you must notify the probation officer at least 10 days before the change. If notifying the probation officer in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
6. You must allow the probation officer to visit you at any time at your home or elsewhere, and you must permit the probation officer to take any items prohibited by the conditions of your supervision that he or she observes in plain view.
7. You must work full time (at least 30 hours per week) at a lawful type of employment, unless the probation officer excuses you from doing so. If you do not have full-time employment you must try to find full-time employment, unless the probation officer excuses you from doing so. If you plan to change where you work or anything about your work (such as your position or your job responsibilities), you must notify the probation officer at least 10 days before the change. If notifying the probation officer at least 10 days in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
8. You must not communicate or interact with someone you know is engaged in criminal activity. If you know someone has been convicted of a felony, you must not knowingly communicate or interact with that person without first getting the permission of the probation officer.
9. If you are arrested or questioned by a law enforcement officer, you must notify the probation officer within 72 hours.
10. You must not own, possess, or have access to a firearm, ammunition, destructive device, or dangerous weapon (i.e., anything that was designed, or was modified for, the specific purpose of causing bodily injury or death to another person such as nunchakus or tasers).
11. You must not act or make any agreement with a law enforcement agency to act as a confidential human source or informant without first getting the permission of the court.
12. If the probation officer determines that you pose a risk to another person (including an organization), the probation officer may require you to notify the person about the risk and you must comply with that instruction. The probation officer may contact the person and confirm that you have notified the person about the risk.
13. You must follow the instructions of the probation officer related to the conditions of supervision.

## U.S. Probation Office Use Only

A U.S. probation officer has instructed me on the conditions specified by the court and has provided me with a written copy of this judgment containing these conditions. For further information regarding these conditions, see *Overview of Probation and Supervised Release Conditions*, available at www.uscourts.gov.

Defendant's Signature _____ Date _____

✓

AO245C (Rev. 11/16) Amended Judgment in a Criminal Case Sheet 3D — Supervised Release (NOTE: Identify Changes with Asterisks(*))



DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## SPECIAL CONDITIONS OF SUPERVISION

1. The defendant's employment must be approved in advance by the probation officer. The defendant may not engage in any paid occupation or volunteer service that exposes him/her, either directly or indirectly, to minors, unless approved in advance by the probation officer.

2. The defendant shall provide the probation officer with access to any requested financial information including authorization to conduct credit checks and obtain copies of the defendant's federal income tax returns.

3. The defendant shall disclose all assets and liabilities to the probation office. The defendant shall not transfer, sell, give away, or otherwise convey any asset, without first consulting with the probation office.

4. If the defendant maintains interest in any business or enterprise, the defendant shall, upon request, surrender and/or make available, for review, any and all documents and records of said business or enterprise to the probation office.

5. The defendant shall maintain a single checking account in his or her name. The defendant shall deposit into this account all income, monetary gains, or other pecuniary proceeds, and make use of this account for payment of all personal expenses. This account, and all other bank accounts, must be disclosed to the probation office.

6. The defendant shall be prohibited from incurring new credit charges, opening additional lines of credit, or obtaining a loan without approval of the defendant's U.S. Probation Officer.

7. Restitution in the amount of $12,726,352.67 is due immediately. Any unpaid amount is to be paid during the period of supervision in monthly installments of not less than 10% of his or her gross monthly household income. Interest on the restitution shall be waived.

8. The defendant shall submit his or her person, property, house, residence, storage unit, vehicle, papers, computers (as defined in 18 U.S.C. §1030(e)(1)), other electronic communications or data storage devices or media, or office, to a search conducted by a United States probation officer, at a reasonable time and in a reasonable manner, based upon reasonable suspicion of contraband or evidence of a violation of a condition of supervision. Failure to submit to a search may be grounds for revocation. The defendant shall warn any other occupants that the premises may be subject to searches pursuant to this condition.

✓

AO245C (Rev. 11/16) Amended Judgment in a Criminal Case Sheet 5 — Criminal Monetary Penalties (NOTE: Identify Changes with Asterisks(*))



DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## CRIMINAL MONETARY PENALTIES

The defendant must pay the total criminal monetary penalties under the schedule of payments on Sheet 6.

| | Assessment | JVTA Assessment* | Fine | Restitution |
|---|---|---|---|---|
| TOTALS | $ 500 | $ N/A | $ Waive | $ 12,726,352.67 |

☐ The determination of restitution is deferred until _____. An *Amended Judgment in a Criminal Case (AO 245C)* will be entered after such determination.

☐ The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment, unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

| Name of Payee | Total Loss* | Restitution Ordered | Priority or Percentage |
|---|---|---|---|
| See Appendix A | | $12,726,352.67 | |
| TOTALS | $ 0.00 | $12,726,352.67 | |

☐ Restitution amount ordered pursuant to plea agreement $ _____

☐ The defendant must pay interest on restitution and a fine of more than $2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).

☒ The court determined that the defendant does not have the ability to pay interest and it is ordered that:

☒ the interest requirement is waived for the ☐ fine ☒ restitution

☐ the interest requirement for the ☐ fine ☐ restitution is modified as follows:

☒ The court finds the defendant is financially unable and is unlikely to become able to pay a fine and, accordingly, the imposition of a fine is waived.

* Justice for Victims of Trafficking Act of 2015, Pub. L. No. 114-22.

** Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

AO245C (Rev. 11/16) Amended Judgment in a Criminal Case Sheet 6 — Schedule of Payments (NOTE: Identify Changes with Asterisks(*))



DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

## SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

☒ PAYMENT IS DUE IMMEDIATELY. Any unpaid amount shall be paid to Clerk's Office, United States District Court, 700 Stewart Street, Seattle, WA 98101.

☒ During the period of imprisonment, no less than 25% of their inmate gross monthly income or $25.00 per quarter, whichever is greater, to be collected and disbursed in accordance with the Inmate Financial Responsibility Program.

☒ During the period of supervised release, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after release from imprisonment.

☐ During the period of probation, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after the date of this judgment.

The payment schedule above is the minimum amount that the defendant is expected to pay towards the monetary penalties imposed by the Court. The defendant shall pay more than the amount established whenever possible. The defendant must notify the Court, the United States Probation Office, and the United States Attorney's Office of any material change in the defendant's financial circumstances that might affect the ability to pay restitution.

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program are made to the United States District Court, Western District of Washington. For restitution payments, the Clerk of the Court is to forward money received to the party(ies) designated to receive restitution specified on the Criminal Monetaries (Sheet 5) page.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

☒ Joint and Several

Defendant and Co-Defendant Names and Case Numbers *(including defendant number)*, Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

* $12,726,352.67, the total amount ordered against co-defendant Sung Hong, United States v. Sung Hong, CR17-161-1 TSZ

☐ The defendant shall pay the cost of prosecution.

☐ The defendant shall pay the following court cost(s):

☒ The defendant shall forfeit the defendant's interest in the following property to the United States:

See Preliminary Order of Forfeiture

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) JVTA Assessment, (8) penalties, and (9) costs, including cost of prosecution and court costs.

AO245C (Rev. 11/16) Amended Judgment in a Criminal Case (NOTE: Identify Changes with Asterisks(*))



DEFENDANT: **HYUN JOO HONG**
CASE NUMBER: 2:17CR00163TSZ-002

APPENDIX A

| Victim | Loss |
|---|---|
| S.A. | $20,000.00 |
| D.A. & J.A. | $3,916,800.00 |
| C.A | $22,572.38 |
| P.B. & M.K.B | $55,630.26 |
| A.J.C. | $64,500.00 |
| J.C. & J.C. | $136,800.00 |
| A.C. & S.H.C | $3,000,000.00 |
| D.C. | $230,687.60 |
| A.C. | $11,750.00 |
| H.C. & J.C | $218,679.49 |
| J.C. | $227,121.00 |
| L.E | $134,814.81 |
| C.E & E.E | $100,000.00 |
| K.G. & M.G | $95,766.83 |
| J.G & K.G. | $19,500.00 |
| P.K. & A.K. | $247,715.12 |
| M.K. | $1,356,828.10 |
| B.W.K. | $16,800.00 |
| P.N. & J. N. | $186,430.88 |
| B.O. & R.O. | $1,112.24 |
| S.C.O. | $42,000.00 |
| J.Y.P. | $25,200.00 |
| G.K.P. | $50,000.00 |
| S.Q. & J.Q. | $230,934.43 |
| C.S. & A.S. | $568,130.00 |
| S.W.C. | $277,716.49 |
| M.S. & S.S. | $987,951.14 |
| J.S. & J.K. | $50,000.00 |
| S.S. | $20,000.00 |
| C.S. | $3,586.94 |
| T.C.I. | $54,171.27 |
| C.V. & M.V. | $63,403.69 |
| M.H.Y. & Y.J.Y. | $149,700.00 |
| Y.Y. | $10,000.00 |
| K.Y. | $130,050.00 |
| | **$12,726,352.67** |

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF WASHINGTON

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | |
| | ) | |
| Plaintiff, | ) | No. 2:17-cr-00163-TSZ |
| | ) | |
| vs. | ) | Seattle, WA |
| | ) | |
| SUNG HONG, aka LAWRENCE HONG, and HYUN JOO HONG, aka GRACE HONG, | ) | |
| | ) | |
| | ) | Sentencing |
| Defendants. | ) | October 11, 2018 |

VERBATIM REPORT OF PROCEEDINGS
BEFORE THE HONORABLE JUDGE THOMAS S. ZILLY
UNITED STATES DISTRICT COURT

APPEARANCES:

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# 23a

Andrea Ramirez, CRR, RPR
Official Court Reporter
United States District Court
Western District of Washington
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Reported by stenotype, transcribed by computer

THE COURT: Well, I know the clerk has apologized for the delay in starting this morning. I want to add my apology to the parties and to anyone else who's here. It's a total embarrassment for the Court to have to wait for almost a half hour. This has been long scheduled. And, obviously, it's important that we have realtime, so we can all see what's being said, and I don't want to miss anything.

But in any event, I apologize again, and we'll proceed, now, with, Madam Clerk, please call the calendar.

THE CLERK: Thank you, Your Honor. Case Number CR17-163Z, United States of America vs. Sung Hong, also known as Lawrence Hong; United States of America vs. Hyun Joo Hong, also known as Grace Hong.

Counsel, please stand and make your appearance for the record.

MR. ARNOLD: Good morning, Your Honor. Justin Arnold and Steven Masada, on behalf of the United States.

THE COURT: Good morning, Counsel.

MR. MASADA: Good morning.

MR. HILLIER: Good morning, Your Honor. Tom Hillier and Michelle Maley, on behalf of Grace Hong.

THE COURT: Good morning. And good morning to Ms. Hong.

MR. FRUSH: Good morning, Your Honor. Jim Frush, on behalf of Lawrence Hong.

THE COURT: Mr. Frush, good morning. Mr. Hong, good morning. You may be seated.

Are the parties ready to proceed with sentencing in this matter?

MR. ARNOLD: The government is, Your Honor.

MR. FRUSH: Yes, Your Honor.

MR. HILLIER: Yes, Your Honor.

THE COURT: All right. Let me just outline what I understand the procedures are going to be. We're going to proceed with identifying the materials that I have received and the exhibits that I have reviewed. And then I'll ask -- go to Mr. Hong, first, and see if there are any disputes with the facts stated in the presentence report, so we get that behind us, any objections to any of the exhibits that are being offered. And I'll do the same for Ms. Hong. And then we'll address guideline issues and resolve any guideline issues. And then I'll be sentencing Mr. Hong, first, and then he'll be excused, after he's been sentenced, and we'll sentence Ms. Hong, next.

And as I understand it, the government does not -- is not calling any witnesses. Is that right, Mr. Arnold?

MR. ARNOLD: That's correct, Your Honor. We've heard no objection to any of our exhibits at all, from either defendant. And so at this point, we don't believe it's necessary --

THE COURT: And what about victims, are there victims here who will be wanting to make statements?

MR. ARNOLD: There are, Your Honor. There are at least two victims who have expressed an interest in speaking. I think, with the Court's permission, what I would like to do is see if we can, after the guidelines objections, but before -- while they're both still here, that we -- I have the opportunity --

THE COURT: I think that's appropriate.

MR. ARNOLD: I would like the opportunity, if possible, Your Honor, just to ask the other victims -- there's only three other victims that are here -- to see if any of those victims would like to speak.

THE COURT: Well, I'll ask them right now. If you wish to speak, if you're here and you're a victim, when we get to that point in the proceedings, just raise your hand and indicate, and you can come up to the podium.

I have read -- I'll state, for the record, I've read all the victim statements, but that doesn't mean that you are precluded, and you're welcome to come forward and make a statement, if you wish to do so.

All right. Let me tell you, first, what I have reviewed, which is a lot of material. So I want to say, first, that I've reviewed the government's brief concerning advisory sentencing guidelines. And there were Exhibits A through H to those -- to

that brief. And I'm not going to list the exhibits, but they're attached to the brief, which is Docket 110. It did have -- "B" is a video presentation, "C" is a video presentation, "D" is an audio recording. I've read all the hard copies of the exhibits. I've listened to the Audio D, Exhibit D, and I have watched the video presentations, Exhibits B and C.

Any questions with respect to those exhibits?

MR. HILLIER: No, Your Honor.

THE COURT: All right. Next, I have --

MR. FRUSH: Your Honor, would you like me to make an objection, if I have one, at this point, Your Honor?

THE COURT: Well, I don't know what the objection is, Mr. Frush, so I can't really answer that, can I?

MR. FRUSH: Well, I mean, you were talking about the government's materials. I do have an objection to the government's materials, to the extent that they include discussion of a civil lawsuit.

THE COURT: All right. Well, we'll get to that. I'm trying to make a record now of what I have received and reviewed --

MR. FRUSH: All right.

THE COURT: -- so that if there's something you filed, or you think I should have received and reviewed, I want to be sure we're all on the same page as to what's before the

Court.

All right. So we've got the government's sentencing guideline memo, brief, and those exhibits.

With respect to Mr. Hong, I've reviewed his plea agreement, Docket 85. I've reviewed the amended PSR, which is Docket 103. And attached to that are various victim impact statements. I've reviewed the amended recommendations for Mr. Hong, which is Docket 104; the defense memo, which is Docket 109; and the attached letter from the defendant's mother; and Exhibit 1, the Frank Miller declaration. I've reviewed the government's sentencing memorandum with respect to Mr. Hong, which is Docket 114. And there are attached to that sentencing memo Exhibits A through J. And I've also reviewed the defendant's supplemental memo, which is Docket 123.

With respect to Ms. Hong, I have reviewed her plea agreement, which is Docket 88; the amended PSR, which is Docket 105, with the various attached victim impact statements. I think I got these impact statements more than once. But in any event, I reviewed it. The amended recommendations, Docket 106; the government's sentencing memo, Docket 117; and Exhibits A through D. And once again, there are some video recordings. I think there's some duplication there, but I've reviewed and watched any video that's been provided.

The defense memo is Docket 112, and it includes 14 exhibits, all of which I have reviewed. I've reviewed the Choi

declaration in support of Ms. Hong, Docket 113; the supplemental defense memo, Docket 122. And it has Exhibits A and B. And the government's supplemental memo, Docket 125, and it has Exhibits A through E. Unfortunately, there are a lot of Exhibit A's and B's to different documents, but I've tried to sort them out, organize them in the way I have described them. I have reviewed all of those materials.

And, finally, I have a separate notebook with all the victim impact statements. I haven't counted them, but have they been -- have they been filed in the record, the victim impact statements? Did you file them, or did you present --

MR. ARNOLD: The government did not file them. We presented them to the probation office and to the Court, as directed in our telephonic conference --

THE COURT: Well, I'm not clear whether -- because I just read everything, as it came along, so I think what I should do is identify these victim impact statements. They may have already been included as attachments to one or both of the defendants. And, of course, they are -- I think what I should do is, we'll make a list and provide it to you, as to the victim impact statements, so that you know -- I've got their names, but I know, in the briefs, that you refer to them by initials. And if I were to give you the initials, I'm not entirely sure that would make much of a record. So we'll file separately a list, and we'll file it under seal, but a list of

all of the victim impact statements that have been provided to me which I have reviewed.

Now, is there anything else that I should have received and reviewed, other than what I've described?

MR. FRUSH: Your Honor, I did not hear you mention Document 124, which was Lawrence Hong's letter to the Court.

THE COURT: Yes. I reviewed that.

MR. FRUSH: You may have mentioned it, but I didn't hear you, Your Honor --

THE COURT: Just a moment. Oh, I don't think I did mention it, because it was hiding, in the way I put this thing in the notebook. But I did receive, I did review, Docket 124.

MR. FRUSH: Thank you, Your Honor.

THE COURT: All right. Is there anything else that anyone has submitted that I should be considering?

MR. ARNOLD: Not that the government's aware of, Your Honor.

THE COURT: Anything from the defense?

MS. MALEY: Not from Grace Hong, Your Honor.

MR. FRUSH: Not on behalf of Lawrence Hong, Your Honor.

THE COURT: All right. Now, I have described all of these exhibits that are attached to the various pleadings that have been filed.

Is there any objection from anyone to my considering all

of those exhibits for purposes of sentencing?

MR. FRUSH: If this is a proper time, Your Honor, I would object to consideration of the materials supplied by the government relating to the civil suit 20 years ago, some activities in Korea, and allegations relating to a cellmate of the defendant. I have covered those matters in a supplemental sentencing memorandum, Your Honor. That's Docket Number 123, which the Court has indicated it has reviewed.

THE COURT: I have reviewed it, and I'm -- your motion to not consider them is denied. They're part of the record. Will I give them any weight? Probably not. But we can talk about that during -- at the appropriate time. But they're in the record. I have reviewed them, and I can't erase them from my mind. But in any event, that's where that stands.

Any other reason why I can't adopt and admit, if you will, for purposes of the sentencing and determining guidelines, all of the exhibits that I have referred to, in all of these -- attached to all these various pleadings?

MR. ARNOLD: Your Honor, the government has no objection to any of the defense exhibits attached to their filings.

MR. HILLIER: Your Honor, on behalf of Ms. Hong, for the same reasons stated by Mr. Frush, I have some concerns with some of these exhibits that came in the day before yesterday, with the government's supplemental. But listening to the

Court, I think what you're saying is spot on, you know, that the weight you give them, how they play out, is really what's important. And so there's not much I can do at this point, other than talk about them, if need be, later on.

THE COURT: All right. Mr. Hillier, when you're addressing the Court, later in the proceedings, speak about twice as loud, will you, please?

MR. HILLIER: I will, Your Honor. Thank you.

THE COURT: Perfect. That's a good tone. I've never heard Mr. Hillier speak in such a slight manner as he started out this hearing.

All right. Thank you.

MR. HILLIER: Just warming up, Your Honor.

THE COURT: All right. So we've got all of those exhibits in the record. I want to also see if there's any objection to the Court considering, for purposes of sentencing, all of the impact statements that have been provided. And if there's some question about whether defense has seen all those -- let me ask counsel.

Have you given the defense all of these impact statements --

MR. ARNOLD: Yes, Your Honor.

THE COURT: -- victim statements?

MR. ARNOLD: Yes, Your Honor. And as you'll recall from the telephonic conference, the Court directed us to

provide them by August 31, which we did, to the Court. We gave everything to probation. They were redacted, in large form, with the names, to the defendants, but I think they're easily able to determine who is who in the victim impact statements. We never got a request for un-redacted versions, which we could have discussed with them.

THE COURT: Is there any -- would there be an objection to reading off the names of the impact -- the victim statements?

MR. ARNOLD: For the government's view, yes, Your Honor, because we've actually had one victim that's here today that doesn't want us to refer to him by his last name. So I think a number of victims aren't here. They're, unfortunately -- you know, they didn't choose to go to be in this situation, and I think we would request that they do remain under seal. But I'm confident, Your Honor, that we've given them -- all the defense access to all of the victim impact statements.

THE COURT: All right. Then for purposes of the sentencing, I'll be considering all of these victim impact statements that have been -- and we will file under seal a list, after the hearing, of all of these -- maybe we'll just file the whole stack of victim impact statements under seal, so we'll have it all in one place. And I think that's what we should -- that's what we'll do.

All right. I want to now turn to Mr. Hong, because I want to ask he and his lawyer some questions with respect to the -- first, the amended presentence report, which is Docket 103. And I want to be sure that the defendant received that amended presentence report, Docket 103.

MR. FRUSH: Your Honor, we did receive Docket 103, the amended presentence report, that was revised as late as September 27.

You mentioned earlier any objections we had to the presentence report. Probation did an excellent job, Your Honor, in an amended addendum, attached to Docket 103, as part of 103, that listed the objections both by the government and by the defendant, and also provided a response. We don't have any further discussion about that. We think it's in your hands, Your Honor, and up to you to give what weight you wish to it.

THE COURT: All right. I know there are some guideline issues that we're going to have to sort out, but are there any -- let me just get Mr. Hong, if he would, to acknowledge on the record that he has received and reviewed the amended presentence report. And Mr. Frush is correct. The amendment was September 27.

MR. HONG: I have, Your Honor.

THE COURT: Thank you, sir.

All right. And are there any facts in dispute, with the

facts stated in the presentence report, or may I adopt them for purposes of guidelines and sentencing issues?

MR. FRUSH: I think for purposes of guidelines and sentencing issues, they may be adopted. As I pointed out, Your Honor, the objections by both sides have been discussed fully by probation, are present in the amended report, and I think that's all that's necessary, Your Honor.

THE COURT: All right. Then, just for the record, I'm going to adopt as facts all the facts stated in the presentence report, the amended presentence report for Mr. Hong, Docket 103.

Now, one last thing for Mr. Hong, did Mr. Hong receive the amended sentencing recommendations of probation, Docket 104?

MR. FRUSH: He did, Your Honor. If you'd like him to acknowledge the same on the record, he will.

THE COURT: Yes, I would.

MR. HONG: Yes, I have, Your Honor.

THE COURT: Thank you, Mr. Hong.

All right. We're going to go through the same procedure for Mrs. Hong. I just want to be sure, first, that Mrs. Hong received the amended presentence investigation report -- we call it the PSR -- with the latest amendment being September 27 of this year.

So was that received, and did she have an opportunity to review it?

MR. HILLIER: Yes, to both those questions.

THE COURT: All right. Ms. Hong, can you acknowledge that as well?

MS. HONG: Yes, I have, Your Honor.

THE COURT: Thank you very much.

Are there any facts in dispute with the facts stated in the presentence report for Ms. Hong?

MR. HILLIER: We have raised no factual disputes, Your Honor.

THE COURT: All right. Then for purposes, again, of determining guidelines, determining what the appropriate sentence is, I'll adopt all of the facts stated in the presentence report as to Ms. Hong.

And I want to ask her, then, with respect to the amended sentencing recommendations, they are Docket 106, did the defendant receive those amended sentencing recommendations?

MS. HONG: Yes, I have, Your Honor.

THE COURT: Thank you very much, Ms. Hong.

Is there anything else that the Court should be considering in determining either guidelines or sentencing issues?

MR. ARNOLD: Other than the victim statements today in court, the government can't think of anything else, Your Honor.

THE COURT: All right.

MR. HILLIER: Nothing, Your Honor.

THE COURT: All right. Now, should we do victim statements now or -- perhaps we should.

MR. ARNOLD: It's up to the Court's discretion. We can do it now or after the guidelines argument, whichever the Court would prefer. It may relate to the minor role adjustment, so if you would like to hear them now --

THE COURT: Why don't we -- why don't we address them now.

And I will -- I will ask you to step forward to the podium, sir.

MR. ARNOLD: Your Honor, this is Chris Venti.

THE COURT: I'm going to ask you to identify yourself by name, for the record. And I have read your impact statement, but please address anything you wish to say, sir, but start with your name.

MR. VENTI: Sure. My name is Chris Venti.

THE COURT: And spell that last name for the record.

MR. VENTI: V, as in Victor, E-N-T-I.

THE COURT: Thank you, sir.

MR. VENTI: I'll make just a few brief statements. I'll try to read this. I want to make -- my main point -- my main points is that this was a well-thought-out and planned-out action by both their parts, not just one. I actually did some due diligence -- let me back up.

They rented the home that we used to own, no longer do because of this. And when we met them and started hearing about their story, we did some due diligence with a friend that's actually in the investment/SEC world. And he quickly said, "Well, these need to be able to show whatever, and that doesn't have a registered -- it's not registered any longer." I specifically went to them. And I'm going to use the names "Grace" and "Lawrence." That's how we knew them. But I specifically went to them, and Grace, specifically, had the story line set, which was a lie.

THE COURT: So when you went to her -- would you give me a time frame, please?

MR. VENTI: So this would be -- they moved in, I think, the end of February.

THE COURT: We need a year.

MR. VENTI: I'm trying to remember what year now, because it's all a blur. I think it was '16.

They were arrested in 17; is that correct?

MR. ARNOLD: Yes.

MR. VENTI: Okay. So they moved in, I think it was, the end of February, during February of '16. And so quickly, probably May of that year, is when I came to them with this, "What's up with what you're saying? This doesn't make sense." And they both came with this preplanned answer that, "Oh, that happened because it was a big deal. This is a smaller thing,

friends of the family."

So, unfortunately, I didn't follow through to verify that. But that lie was given to me by both Grace and Lawrence, not just Lawrence.

THE COURT: Now, I know in your victim statement you indicated the amount. I don't know if you want to say that on the record here in open court --

MR. VENTI: I will. I will later. But that was -- I didn't put any money in at that point.

THE COURT: Okay.

MR. VENTI: Well -- I'm sorry. I did. I did invest, I think it was, 75- and change.

THE COURT: And would you clarify the "75"?

MR. VENTI: I'm sorry. $75,000.

THE COURT: Thank you.

And you invested at the end of February or March of --

MR. VENTI: No. I think it was the April time frame when I actually invested, right during this time when I was doing the due diligence, end of April, into IB, International Brokers. And the whole story line is, they have control, we never touch your money, you know, all that -- all of that.

THE COURT: And when you say "their story line," who's the "they"?

MR. VENTI: Grace and Lawrence both, together.

THE COURT: And did you talk to both of them?

MR. VENTI: Yes.

THE COURT: And give me a substance of what they told you.

MR. VENTI: Yeah. So, specifically, when I -- when I, before I invested, saw that the -- that the -- the Pishon -- I think it might have been Pishon LTD before -- I can't really remember -- that it wasn't registered, Grace herself said, "No, that was the old company." And I'm trying to think about my recollection. I think the reason they gave me, it was a bigger deal, and we've had to close that down, and this is a new one, because we're doing this church thing now, and we want to help churches.

There was great -- Lawrence said a lot about helping the second-largest church in Korea do a fund and those kinds of things. And this is a different, smaller, friends and family one yet. And I should have realized that one also should have been registered, but I -- how do I say this? -- sometimes Christians are too trusting of people we believe that are in the church, right? So I didn't follow through. I took them at their word. And Grace, specifically, answered that question, along with Lawrence. I heard them say it to a couple other people that I knew, and we were in joint meetings. I heard them say that again.

THE COURT: Well, don't tell me anything that you didn't hear with your own ears, as opposed to --

MR. VENTI: No, I said I heard them say it.
THE COURT: You were present while --
MR. VENTI: Yes.
THE COURT: -- they made those same statements, essentially --
MR. VENTI: Yes, yes.
THE COURT: -- to others.
MR. VENTI: To others.
THE COURT: All right. So you made your first investment, in approximately April of 2016, of about $75,000.
MR. VENTI: Correct.
THE COURT: Go ahead and proceed.
MR. VENTI: And the other main point I want to make is that they -- and this is -- I'm going to mainly apply to Lawrence. He was very good and manipulated a lot of long-term friends. There was a lot of people involved in this, over time, that knew each other. And he would say things to me that a good friend said or did. And I thought, "That's really strange." And I found out later, you know, they were -- he was talking to multiple friends, little things, dropped things here and there, so we wouldn't talk to each other. And he tried to separate us, relationally.

And to that point, one of those really close, long-term friends, 20-year friends, he's so embarrassed about what happened, he's not talking to anybody. They've kind of gone

off the grid. They've moved, and nobody hears from them anymore. And so he's really devastated a lot of relationships.

THE COURT: All right. Mr. Venti, I want you to limit what you say to your own involvement in --

MR. VENTI: Okay --

THE COURT: -- and how you became a victim and what --

MR. VENTI: Okay. Okay. So --

THE COURT: As opposed to other people.

MR. VENTI: Okay. So my point would be, two or three really close friends I don't have a strong relationship with anymore because of this.

THE COURT: All right.

MR. VENTI: I'll just say it that way.

THE COURT: So I assume you made additional investments --

MR. VENTI: No, I did not.

THE COURT: So your investment was how much, in total?

MR. VENTI: $78,000, $75,000, something around there. I will say that as soon as they were arrested, the person that held the second on my home, on Clyde Hill, freaked out and forced me into a deed in lieu and took the house over.

THE COURT: All right. Well, let me just say, your victim impact statement mentions a million dollars, twice.

MR. VENTI: I'm getting there. I'm getting there. I'm getting there. And so that house just sold, closed, a month ago, made $800,000 equity, I got no penny out of. And that was directly related to their actions. Because they were leasing it. I couldn't afford that second payment. My business was in distress at the time. Couldn't make that second payment. He came in and took the home from me, and just sold it and made $800,000. I got none of that.

THE COURT: So -- so who's the "he" that came in and sold it?

MR. VENTI: The person that held the second mortgage on my home. The company -- it's a company that -- it's called Adventure 2016.

THE COURT: All right. But I'm still --

MR. VENTI: Do you need the person's name?

THE COURT: -- trying to understand, how much, in total, did the Hongs take from you?

MR. VENTI: The Hongs took from me $78,000. That's all. The impact to me ended up being this full amount, because of their actions, but the actual cash they took from me was that much.

The other impact from this whole thing, for us, my wife and I, I'm 65. I now have $10,000 to my name. I'll be working for quite a while. We had to live with our kids for six months until we got back on our feet. So that's a personal impact to

us, of their actions. And it's really interesting to me, because when they took that money, they knew our company was in distress. And I just can't believe that they would still do that to somebody who was trying to help them. And like I said, this is both of them. This is not one person.

I think they've taken advantage of trusting church people. And the last comment I will make -- it's not really an impact -- but, you know, we believe -- you know, we believe in a forgiving God. And I would just say to you two, he will forgive you if you go to him with that. But same point, you both need to have the consequences of your actions, and so that's up to the Court, how that's done.

My belief is, they both should do time, not an ankle bracelet at home because of kids. They had these kids when they hatched this plan. They knew the results it would have on people and their children. There's many churches -- our church is a state-sponsored foster home. They'll take the kids and put them with people that will have good values for the kids. They've got family. I'm not sure you want these kinds of values raising those kids. That's the way I feel.

THE COURT: Thank you, sir.

MR. ARNOLD: One second, Your Honor.

Your Honor, Margo Venti would also like to speak and address the Court. She's coming up now.

MS. VENTI: My name is Margo Venti, spelled the same

way, V-E-N-T-I.

I originally didn't plan on speaking. You're not going to see a victim statement from me, because basically my husband already spoke. But I want to speak in a different perspective, as a mother and a grandmother.

When I first met you guys was at my house. I walked you through my house. And I purposely spoke with you. And you were pregnant with Joseph. She was, frankly, about ready to pop. And I know my statement to her was, "I hope he waits long enough for you to move in, because it would make it easier on you." I wish you'd thought so highly of me and my family.

Bottom line is, getting together -- I got together with Grace quite a few times. We would pray for our husbands, our entrepreneurial husbands. And we would talk about our children. My grandchildren have played with her grandchildren. So what I'm saying now has to do with what I've had to go through, and others that are victims, because I definitely am a victim.

He spoke about us living with our children. Frankly, we were homeless. We had nothing. And if I didn't have my children, who I put first when they were children, I would have had nowhere to go. I would have been in a car or -- because my parents aren't here anymore. So that's the things that we've been going through.

Beyond that, the other side of that, I mean, he spoke of

us being older. I actually went to work. I haven't worked for years. I was the moneymaker, making $12,000 a month, not a whole lot, but it --

MR. VENTI: $1,200.

MS. VENTI: Pardon me?

MR. VENTI: $1,200.

MS. VENTI: $1,200, yes. $1,200. I'm sorry. Too many zeros. And it was a good outlet for me, because I was extremely depressed. I mean, I lived in a room that was probably no bigger than Lawrence's cell, at my kids' house. They didn't have a real big house. And that was my only haven. Who wants to be with little kids when you're depressed, and you feel like you've really done something stupid?

But the biggest thing is, there's other people that are victims, that had small children. And the whole part to me is, I don't understand how anybody could do this and not be thinking of the future of their children. And so as my husband said, I -- I don't -- I don't have animosity in the sense that I hate them or anything, but I just don't understand how people could do that with their young children.

So that's my statement. Just emotional, that's all. But I just wanted that to be spoken today.

THE COURT: Thank you.

MR. ARNOLD: Your Honor, that appears like all the victims that wish to speak today.

THE COURT: All right. I think we should, then, proceed.

Let me just invite any other victim who's here, who would like to make a statement, this is the time. And I welcome you to come forward, if you'd like.

All right. I think nobody else chooses to come forward. I thank the Ventis for being willing to say something.

I think the next thing we should do is deal with the guideline computations. As I understand it, there are basically three issues. There may be more, and I know the lawyers are not shy about telling me, if there are.

But as I understand the three issues, there's the adjustment for the commodities trading advisers. There's the adjustment for acting on behalf of religious or charitable organizations. And there is the minor role adjustment with respect to Ms. Hong.

So why don't we take them in that order. I'll hear from the government, first, and then the defense. And we'll go through all of them, and then I'll make my guideline rulings.

So with respect to the adjustment for commodity trading advisers, let me just say, in advance, that you've filed a lot of briefs. I read a lot of cases that you cited. I think the probation department, which has done an excellent job on this whole case, got this one wrong. I think the adjustment does apply. I think two circuits have said so. I think

Judge Robart has said so.

So with that, let's hear from the lawyers.

MR. ARNOLD: Thank you, Your Honor.

And, obviously, at the risk of convincing you otherwise, I will briefly touch on (b)(19), which is the commodity trading adviser enhancement. Your Honor correctly notes that, unfortunately, it is probably just the deluge of objections and letters flying back and forth from the parties in this very significant case that the probation office missed this one.

Your Honor, the guideline makes abundantly clear that this enhancement applies when an individual is acting as a commodities trading adviser and violates the commodities laws, regardless of what crime they ultimately are convicted of. There's no dispute in the record at all that's been raised that there was violations of commodities law. In fact, as we've noted, the defendants were sued by the CFTC, and Judge Robart issued a preliminary injunction against them, after issuing a TRO.

The issue is, really, are they commodities trading advisers. And the guideline makes clear that what you do is, you look to the Commodities Exchange Act. And the Commodities Exchange Act has four sections. The first two, which are relevant here, are that an individual is trading commodities in exchange for money, providing advice about trading commodities in exchange for money; or, two, they're writing reports in

exchange for money. It's clearly what these defendants did.

And, importantly, what the last section of that statute says -- and there's an "or," not an "and" -- is that "or they're registered with the Commodity Futures Trading Commission." It's an alternative means to meet the definition of a commodity trading adviser.

The Eleventh Circuit, in the *Ramunno* case, which I know the Court has read, directly considered this and found that registration is not relevant. There's -- the defendant can't cite to any case, hasn't cited to anything in support of his argument, other than the commentary that apparently the sentencing commission issued when they passed this in 2003, this enhancement.

And what's important is, there is a mention of registration, and our brief says there's no mention of registration anywhere. And there's not as it relates to a commodities trading adviser or an investment adviser, but it does say "registered broker." And those are different things. Brokers don't owe fiduciary duties to individuals. Commodity trading advisers do. These individuals plainly fit within that structure. They plainly fit within the guideline, and it should apply.

Your Honor, would you like me to address, then, the acting on behalf of religious organizations, or does the Court have any questions about that?

THE COURT: Why don't we deal with this one, first, and see what the response is from the defendants. Thank you.

MR. FRUSH: Your Honor, as I've pointed out in our sentencing memorandum, this is all because Lawrence traded in Standard & Poor futures. Our system of financial regulation considers Standard & Poor futures as a commodity. If he had been trading in equities, or stock in companies, I don't think we'd have this argument. And by the government's own admission we would not, because they find a difference between a registered investment adviser and somebody trading in commodities.

So he happened to pick commodities, which, I would say, on a substantive level, it seems to me to be absurd to think that a potential defendant is going to think, "Well, maybe I should trade in Amazon and Netflix, instead of S&P futures." It doesn't make any sense.

The guideline, I think, is unclear, and you have to look at the application note to find an adoption of the Commodities Act definition. It's not inconsistent, Your Honor, that this be a violation of commodities law -- and there's a case in front of Judge Robart relating to it -- and that the guideline does not apply.

I would suggest, Your Honor, that -- and I've cited a case that talks about the impact of an inconsistent application note. I won't belabor that. The Eleventh Circuit case cited

is a one-page opinion, as I recollect it, that basically says the district court didn't abuse its discretion in finding this. There wasn't any discussion on a rational level.

The Sentencing Guideline Commission itself -- and I've given you the citation. It's buried back in Appendix C, relating to Amendment 653, at Volume 2, at Page 838. It took me a long time to find it. I wouldn't have found it without help. They talk directly to this issue. And they speak, and the people that drafted the guideline, that commission, spoke directly to this particular issue and said this adjustment only applies to people who are registered, because they have a heightened fiduciary duty.

Your Honor, I think that we do have the better argument. I do think probation got it right. And I think the peg here, the lodestar here, is the fact that the people that drafted this amendment say that it only applies to registered commodities brokers, or to the extent that the amendment talks about. And the fact that he happened to trade Standard & Poor futures, instead of Amazon and Netflix, is not a basis on which that the law ought to proceed to apply this adjustment.

Thank you for your patience, Your Honor.

THE COURT: Thank you.

Mr. Hillier, do you want to be heard on this issue?

MR. HILLIER: No, Your Honor.

THE COURT: You're adopting --

MR. HILLIER: We'll adopt Mr. Frush's argument and believe that the abuse of trust adjustment is the more appropriate adjustment in this case.

THE COURT: All right. Well, the Court is satisfied that the adjustment does apply. I'm going to just read a basic ruling on this subject. I've known that these were issues, and I wanted to study them and attempt to get it right.

The government seeks a four-point enhancement under these guidelines -- it's 2B1.1(b)(19) -- for an offense involving a violation of the commodities trading adviser. The defendants argue it doesn't apply, because they're not registered securities trading advisers.

The bottom line is that this has been considered by two of the circuit courts in this country. The first is *United States vs. Ramunno*, an Eleventh Circuit case, upholding a sentencing enhancement in a wire fraud conviction and holding the definitions of a commodity pool operator as meaning contained in the Commodities Exchange Act, which is 7 U.S.C. Section 1(A)(11). Another circuit, the Third Circuit, in *United States vs. Miller*, 833 F.3d 274, decided in 2016, reaches the same result, holding registration is not required under the precise guidelines at issue here.

Judge Robart, in a case in this district earlier this year -- I believe it was this year -- reached the same ruling, although the ruling is camouflaged when you try and read the

statement he made, but I believe he did adopt that.

The defense has cited me to *Stinson vs. United States*, indicating that if -- and it stands for the proposition that if -- that what -- the guidelines control if there's any dispute between the guidelines and the commentaries. I'm satisfied that there's two circuit courts that have decided this, and that the guidelines are clear. Registration is not required. And a four-point adjustment will be assessed against both defendants under this guideline issue.

All right. Let's talk about adjustment for acting on behalf of religious or charitable organizations.

Once again, I've spent a lot of time reading the cases you've all cited. I think it's a close question, but I come on the side of deciding that this adjustment does not apply. I'll hear from the government, first, as to why it does.

MR. ARNOLD: Your Honor, unlike the *Ramunno* case that we just discussed, there are cases on point. But this is a fact-based inquiry. It's -- a heavy analysis needs to be done of the facts related to this. I don't think there's any dispute that both -- in the Ninth Circuit, both the *Treadwell* and *Cohen* cases say you don't actually have to be acting on behalf of a charitable or religious organization. And it's clear that if you just say that it's -- you're acting for the benefit of religious or charitable organizations, or that those organizations, whatever they might be, unnamed, are going to

benefit.

There's a number of things here that, candidly, would satisfy both. There is a religious organization. The very hedge funds that these defendants started were named after a river in the book of Genesis, in the Bible. There is a foundation using that name, the Pishon River Foundation, which the defendant, Grace Hong, put on her Facebook page as her cover photo.

And I apologize for the lateness of this submission, Your Honor, but that Korean article, from 2012, also references the fact that the goal of the Pishon hedge fund is to give half of the profits to the Pishon Foundation. That's their article that they sent to an investor; that half of the profits of the hedge fund, which the defendant lied and said was going to start in Seoul, was going to go to the Pishon River Foundation. That was provided to at least one investor, and in addition to the information on the cover letter -- or on the Facebook, with the cover page.

It's clear that they had this intention to dupe people out of their money by saying to these victims, "Your money will go to glorify God," through the Pishon hedge funds, through the foundation. And there's no factual dispute, other than an assertion by Mr. Frush, in his brief, that it wasn't active. Well, it didn't have to be active. It's not whether it's active or not. It's whether they used it as a vessel to

convince the defendants to give them money. And they did, at least with one victim. It's clear. You can't send an article that says that's exactly what we're going to do and then claim, well, we really didn't mean it.

But more importantly, as we note in our brief, all of these victims, or a significant majority of these victims, were told, "You can glorify God, because you're going to make more money if you give us the money. You'll have more money to tithe. You'll have more money for charitable causes." They said that throughout the whole thing; that they make more money to give more money to churches. That video that Your Honor watched, Grace Hong stands up there and says that's the premise of the company, the premise of the company, the intention of the company. And we're going to see that later today, for everyone to get to see that. The premise of this company was to glorify his kingdom. That's acting on behalf of enuring benefit to a religious organization.

We think the guideline clearly applies, Your Honor. Thank you.

MR. FRUSH: I bear the same risk Mr. Arnold wrote and discussed last time, Your Honor, which is, I don't want to change your mind. So if you want to tell me to sit down, I'm happy to sit down.

I will reply. The article --

THE COURT: Mr. Arnold makes a pretty good point. I

mean, they certainly were pushing the religious benefits of investing and having more money; weren't they?

MR. FRUSH: They were. And as our brief makes it clear, it was for the benefit of the individual investor.

There's no indication anywhere in the record, and we don't have any witness here that says, "I relied upon the representation that they represented a religious organization in making a contribution." They could have called a witness to that effect. And this unnamed witness just doesn't -- I don't know who it is, or who they might be.

Grace's comments, in this interview that we saw, about six months later wanting to establish a fund in Korea, I don't think has any bearing, nor do we know that it was -- other than the argument of counsel, that it was ever given to anybody. We don't have any evidence here that -- we don't have a single bit of evidence that the -- was a representation that a portion of their profit, or a portion of what they were doing, was going to go to a particular charitable, religious -- the guideline talks about charitable, educational, religious, or political organization.

All the cases under this, even *Treadwell*, that they cite and they rely on so heavily, there is a finding by the Court that there was reference to at least supporting a religious organization. The -- and I don't disagree, Your Honor, with the pitch being that if you make more money, you'll be better

able to spread the glory of God through charitable contributions or otherwise. But that's not what the guideline says. And there's no question that these investors all got into this to make money. I mean, you've seen so many of these schemes over the years, Your Honor, as I have, and Mr. Hillier has, as Mr. Arnold has, Mr. Masada has.

This was a case where the investors were giving money, and there was no agreement that, of the profit made, that a certain percentage would go to a religious organization, neither the investor's profit, nor the Hongs' profit. And absent that, Your Honor, I think the guideline, the plain language of the guideline, says what it says.

You've got -- I had a case like this where a fellow represented that he was part of the Vatican. And he was soliciting contributions and pharmaceuticals, and he ended up selling them on the black market. That's what this speaks to. And I appreciate that there could be a guideline that says, if you prey upon members of your church, or you use a religious motivation for activity, then there might be an adjustment. But we don't have that in the guidelines, at least not yet, Your Honor.

THE COURT: Didn't *United States vs. Cohen* allow this enhancement to apply if it's -- if you either -- if either you suggest that it's for the benefit of a charitable organization, either their organization or by raising the money and then

having more money to tithe? Isn't that -- wasn't that the whole pitch?

MR. FRUSH: Your Honor, there's no religious organization that's referenced. There was a Pishon Foundation. It was totally inactive. The charitable contributions that were made by the Hongs, in three different years of this scheme, were all made directly by the Hongs. They were not made by the Pishon Foundation. The Pishon Foundation, there's no evidence in the record that it was active, or that it was soliciting, or that it was making any contributions. It was an empty shell. There was never any activity in it.

Your Honor, I appreciate that it is a close question. But I think you've got to tie yourself back to the plain meaning of the guideline and apply a rule of leniency in parsing this out, as we have in the context of criminal law for centuries. And so I would say, Your Honor, absent a religious organization that was going to be benefited, and a representation that you -- it talks about a misrepresentation that the defendant was acting on behalf of a religious organization or governmental agency. It just isn't here, Your Honor. I appreciate the confusion and the basis of their argument, but the guideline speaks for itself.

Thank you, Your Honor.

THE COURT: Mr. Hillier, do you wish to be heard on this one? Or are you letting Mr. Frush do all the heavy

lifting?

MR. HILLIER: I'm letting him do the talking. We join in his argument. My short pitch, when we wrote about this, was simply that. Look what the guideline says. And I agree, literally, it does not apply.

THE COURT: Thank you.

MR. ARNOLD: Your Honor, if I could make two quick points in rebuttal?

THE COURT: Certainly.

MR. ARNOLD: One, Mr. Frush doesn't deal with *Cohen*, because he can't. He's pounding the table, saying, "There has to be a religious organization." That's not what *Cohen* says. Your Honor is correct on that, but he can't deal with that.

But more importantly, Mr. Frush made a comment that there's nothing in the record. They've adopted these exhibits. I want to read to you from -- it's the brief that we filed on Monday, the supplemental sentencing memorandum, Docket 125.

THE COURT: In which case?

MR. ARNOLD: With respect to the guideline --

THE COURT: The guideline --

MR. ARNOLD: Religious enhancement. Well, it's Docket 125. It's our supplement we filed on Monday, Your Honor.

THE COURT: But you filed it in one or the other cases.

MR. ARNOLD: I believe it's filed in Grace's case.

THE COURT: Well, that would be helpful if I could find it. Hang on just a minute.

I have it. Thank you.

MR. ARNOLD: Your Honor, if you could go to Exhibit C, this e-mail was sent to a victim --

THE COURT: Just a moment. All right. I have it.

MR. FRUSH: What exhibit, Mr. Arnold?

MR. ARNOLD: "C." It's Page 12 of 34.

THE COURT: I have it.

MR. ARNOLD: This e-mail is sent in June of 2014, in the heart of the fraud, from Ms. Hong to Corey Ebbing (phonetic), a victim. "Please see below the link to the article," the Korean article. There's a link attached. "I believe Google offers Google translations." "It's the first article that pops up."

Now, Your Honor, we didn't have to rely on Google translation, because we had an FBI analyst analyze it and translate it. And that translation is on Page 24, the relevant part, 24 of 34.

THE COURT: I have it.

MR. ARNOLD: And I'm going to read you this paragraph, which is in the middle of the page. "She is opening up an office of Pishon Holdings in Korea this September. Pishon is the name of a river in the Garden of Eden, appearing

in the book of Genesis of the Old Testament in the Bible. Her interest" -- this is referencing the defendant, Grace Hong. "Her interest in social contribution is so extraordinary that she is looking to set up Pishon Foundation, to which over half of the profit of the Pishon fund will be set aside."

Now, that says it all, Your Honor. We don't have to show this. Your Honor is correct. We've got tons of witnesses that will say they give more money to give to God. The investors give more money. That's enough. But this clearly applies, even before *Cohen*.

Thank you, Your Honor.

THE COURT: All right. Well --

MR. HILLIER: May I reply to that argument?

THE COURT: No. I think I've heard enough, Mr. Hillier. Thank you very much.

I'm going to abide by my earlier views. I think it is a close question. The question is whether or not a two-point enhancement -- of course, every enhancement raises the level of the guidelines and makes it higher. So there's a two-point adjustment under 2B1.1(b)(9)(A). It can't get much more detailed than that, can it?

I find that enhancement does not apply. The enhancement applies if the offense involves a misrepresentation the defendant was acting on behalf of a charitable, educational, religious, or political organization, or a government agency.

Here, clearly, many of the Hong victims are religious people who met with the Hongs through religious channels. And they represented themselves, the Hongs did, as devout Christians who donated significant resources to various religious and charitable organizations, but they never held themselves out as an agent or a representative of any religious or charitable group.

I've read the *Treadwell* and *Cohen* cases. I think it's a close call. Although they targeted religious groups, that is, the Hongs, and spoke about religious and charitable activities on behalf of the -- what they were soliciting, I don't believe they either solicited for, in the interest of, or for the benefit of a particular organization, which is what *Cohen* requires. The focus of the misrepresentations, I believe, when you look at the whole package, was to encourage investors to invest with them because they were going to make money. And they wrapped it all around God and the religious connotations of naming their organization they were going to form in the future. I don't think it's enough, and I'm not going to apply that two-point adjustment.

So I think the last one is a minor role adjustment. Just to give a preliminary idea of where I am, I've read all the briefs. I'm fairly satisfied that the minor role adjustment does not apply to Ms. Hong, but I'll welcome Mr. Hillier or one of the lawyers for Ms. Hong to address the issues.

MR. HILLIER: I'm prepared to do that, Your Honor, if I might. Thank you, Your Honor.

THE COURT: And I've got to tell you, Mr. Hillier, just to give you a fair warning, if you will, you know, the plea agreement only admits that she was involved in this conspiracy -- this activity from May of 2016 to March of 2017. We heard one victim say that he got involved in -- much earlier than that. We have this e-mail that was sent, again, earlier than that, that was just referred to. I think you, by your arguments, come close to suggesting that she's really not accepting responsibility for the conduct that occurred prior to May 2016. I'm troubled by the whole position that you take. So fair warning.

MR. HILLIER: Okay. Well, I appreciate that, and I think we're going to -- I'm going to get to that later, when we -- when I speak about what Grace did, when she began doing it, and how she was, in fact, deeply enmeshed in this conspiracy from jump street. But that's not where we are right now.

With respect to your concern, however, I would like to refer you to the government's brief on the -- on the advisory sentencing guidelines, which we're talking about now, at Page 5 --

THE COURT: Just a moment. You're referring me to it. I'll look at it.

MR. HILLIER: It's Docket Number 110, Your Honor.

THE COURT: I have it. Page 5?

MR. HILLIER: Five and six is what I'm speaking to.

At the very bottom of Page 5, the government states, "Defendant Grace Hong stipulated to the base offense level and the enhancements discussed above, as reflected in the presentence report." They got on -- go on to say that, however, on September 27, the day before sentencing filings are due, Grace Hong, through counsel, informed the United States she is joining Lawrence Hong's enhancement objections. States that it's untimely. Footnotes that if I do anything untimely again, they're going to get after me.

Your Honor, both of those statements are not true. There's nothing in the presentence report that says that we stipulated to any guideline enhancements --

THE COURT: Mr. Hillier, the only thing I want to hear from you at this time is minor role.

MR. HILLIER: Okay.

THE COURT: Minor role. Focus there, please.

MR. HILLIER: Your Honor, I think -- my argument on minor role is, simply, she's not as involved as he is, so we would like that adjustment. I think if you look at the whole scheme of things, she was involved in all of this, and your inclination to deny that request would be entirely reasonable. So that's what --

THE COURT: Well, you understood -- perhaps I stated it wrong. My inclination is to deny her a minor role. You understand that.

MR. HILLIER: No, I didn't understand that.

THE COURT: Well, that's what I certainly intended to say. I don't think she's a minor role player in this scheme.

MR. HILLIER: I think she was involved in this matter, and that she accepts her involvement. I think, compared to Mr. Hong, her involvement was minor. She was acting at his direction, for the most part. But I will abide by whatever ruling Your Honor says.

The reason I spoke about the other -- and I beg permission, for the moment -- is, the government's telling me, you, that I welshed on a deal, and I violated the rules, neither of which is true.

THE COURT: And I'm not suggesting or believing that you did, so --

MR. HILLIER: Thank you. Well, that's --

THE COURT: All your arguments are on the table.

MR. HILLIER: Okay. Good. Well, I mean, it's pretty important, because there's a lot at stake. If they said that to me, walking down the hall, I could care less. But when they say it to you, and we've got what we have on stake here, it matters a lot. Thank you.

THE COURT: All right. Well, I don't need to hear

from the government on this subject. I'm satisfied that Ms. Hong is -- was a real player in this whole scheme; that she got involved early on; and that she is not entitled to a minor role adjustment. Because this is quite factual, I want to just read into the record a kind of a basic reasoning for why she does not get minor role.

Section 3B1.2(b) of the guidelines permits a two-point decrease in an offense level if the defendant was a, quote, "minor participant," end of quote. In determining whether to apply the adjustment, it depends entirely on the totality of the circumstances, and it's heavily dependent upon the facts in a particular case.

The Court has considered the following factors, which the comments in the guidelines suggest that I consider: One, the degree to which the defendant understood the scope and structure of the criminal activity; second, the degree to which the defendant participated in planning or organizing it; third, the degree to which the defendant exercised decision-making or influenced decision-making; fourth, the nature and extent of the participation in the commission of the criminal activity, including the acts the defendant actually performed; and, finally, the degree to which the defendant stood to benefit from the criminal activity.

In my opinion, all of these factors weigh heavily against giving this defendant a minor role adjustment. She has

attempted to cast herself as less culpable than her husband. I'm unpersuaded. In an effort to suggest that she's a minor role participant, one of her arguments in her brief is that, wow, her parents actually invested and lost a lot of money. And had she been knowledgeable about what was going on, that wouldn't have happened, so she must be innocent of full knowledge of the scope.

And this gets, of course, to the question of when Ms. Hong learned that Mr. Hong had had a criminal history. And she told probation, and it's in the presentence report, which was not objected to and which I've now adopted, that she learned that her husband had a prior criminal conviction for this same type of conduct -- she learned it a few months after they met. Now, they met in September of 2009. They were married in April of 2010. Mr. Hong recalls that he disclosed it shortly after they were married.

But in any event, the important thing is that, based on these facts, she knew before her parents invested and lost their money, which her parents gave Mr. Hong and Grace $430,000 to invest. Ms. Hong says, "I wasn't a participant. I didn't know anything. I should get a minor role, because, look, my parents invested." But the fact is, at the time they invested, she knew that Mr. Hong had previously gone to jail for 33 months for doing the same thing to other victims.

I think it's interesting -- this sheds perhaps a little

more light on Ms. Hong and her motivations and her ability to lie, even about her family. In May of 2012, she told an accountant -- May of 2012 -- that her, quote, "Father recently passed away in Hong Kong, and she would be inheriting from him a vast fortune, estimated at $250 million," Exhibit D to the government's supplemental sentencing memo, Docket Number 125. Well, this was false. The father was very much alive. And yet in 2012, Ms. Hong is representing to an accountant, because she wants to open an account, that her dad was dead.

Now, Ms. Hong has also, in her brief, argued that she was merely an obedient wife, doing what her husband asked her to do, without understanding the nature of the criminal activity. The record does not support this. Ms. Hong, in fact, attended a university in Korea, earned a master's degree in music, began a master's degree in business. She didn't get the degree, but she's a very sophisticated person. Ms. Hong has more education than Mr. Hong. I listened to -- or read the transcript from a telephone conversation between she and an employee at the MB Trading, which was acquired by TradeKing. She's very familiar with the intricacies of a short sale of stock, Exhibit D to the government's brief, Docket 111.

Ms. Hong had no difficulty using an iPhone to send a victim, in 2015 -- of course, she only pled to activity starting in May of 2016; yet in 2015, she's using her iPhone to send a fake financial statement, Exhibit H to the government's

brief, Docket 110-6. This is a very sophisticated lady. In December of 2010, she used a very clever way to cancel a gym membership. You know, it's an exhibit to the government's supplemental sentencing memo.

Most importantly, the Court did review and watch the video footage for the entire presentation made to the Lancaster Prophetic Conference, in August of 2016. Ms. Hong is very comfortable speaking in public to large groups and producing, in my opinion, false tears after she tells the group that she woke up at 3:00 in the morning, and God spoke to her, and God told her a message that she wanted to give to the group.

Ms. Hong has certainly -- one of the issues in this minor role is, well, does the participant take advantage of the proceeds and use them? And the government has given substantial evidence -- we'll hear more about it during our sentencing -- but of all of the luxuries that were bought with the money stolen, basically, stolen from others.

Ms. Hong, in 2015 -- again, this is before she admits being involved under her plea agreement. 2015, she attempted to deceive the Internal Revenue Service, telling an employee plan specialist her husband was in the export/import consulting business and owned a company, LP Sung, or Han Bit. This is Exhibit C to the government's sentencing memo, Docket 117. She didn't mention that her husband was involved in Pishon and Co. or others, and she didn't reference any offshore Korean family

investment fund that she alleges she believed her husband was managing. She told the IRS that a victim -- I'll refer to it as Dr. A -- had loaned money to her, as opposed to investing the benefit funds at issue in their organization, Exhibit C to the government's sentencing memo. Ms. Hong does acknowledge that throughout the period in question, that is, the period she pled to, she knew she was lying for the purpose of engaging investors.

The Court concludes, from a review of all of the evidence that's before the Court, that she was fully a participant in the planning, the organizing, the decision-making. She prepared and transmitted false statements about what the investors had invested. And she greatly benefited from the criminal activity, the lavish trips, the meals, the mansion where they lived, the designer handbags, all of the cars. We'll hear about that during the sentencing. Minor role will not be assessed in this case.

As a result, let me tell you where I think we are on the guidelines. With respect to Mr. Hong, what I'm going to do, just for the record -- and if you would go to the government's brief concerning sentencing guidelines, so the lawyers can follow along. And if you would go, first, to Page 3, I believe that deals with Mr. Hong.

The base offense level was seven, the loss exceeding $9,500,000, so we add 20 points. There's a substantial

hardship to five or more victims. We add four points. The misrepresentation on the charitable, I'm not assessing the two points. The sophisticated means, I am -- that's two points. The violation of the securities, that's four points, as we've discussed. There is no abuse of trust, because we've done the others. Money laundering is two points. Acceptance of responsibility, the defendant will get three points off. The total offense level, if my math is correct, is 36. The guideline range is 235 to 293 months.

Any objection -- you've made your objections on the guideline rulings that we've had. You don't need to do it again. But is the math correct? Is it a total offense level of 36, and is the guideline range, therefore, under the applicable guideline that we're applying here, which I think is the 2016 guidelines, 235 to 293?

MR. FRUSH: Your math is correct, Your Honor. We preserve our objection.

THE COURT: Thank you, Mr. Frush.

All right. With respect to Mrs. Hong, I'm going to go through. Again, tedious, but I think it's important to just walk through it. Now we're on Page 5 of the government's brief.

Base offense level is seven, the loss exceeding $9,500,000 is 20 points. Substantial hardship was four points. The charitable will not be applied. Sophisticated means, two

points. Violation of securities commodities, four points. Acceptance of responsibility, three points. I believe, if my math is right, we're down to 34, rather than 36, as the government had projected, and the guideline range would be 151 to 188 months.

Any objection to the Court's calculations, given the guideline discussions and rulings that we have had?

MR. HILLIER: I have, Your Honor.

THE COURT: I'm sorry?

MR. HILLIER: Are you speaking to me?

THE COURT: Yes.

MR. HILLIER: Okay. Yes. Yes, I do have objections, if I may state them?

THE COURT: Yes.

MR. HILLIER: Thank you.

THE COURT: Well, first, is my math right?

MR. HILLIER: Your math is consistent with your findings.

THE COURT: And the 34 equals 151 to 188 months?

MR. HILLIER: Correct.

THE COURT: Okay. So, now, what else is there to discuss?

MR. HILLIER: Your Honor, what I want to discuss, I was going to discuss later on, when we talked about Grace's involvement and what she's done. But you've made, apparently,

findings about all of that already, within the context of a minor role adjustment, which, you know, is hard to justify. And I think my comments suggested the same. It was --

THE COURT: You'll be heard on what the appropriate sentence is. All I'm trying to determine now is, do you have any objection to any of the guideline calculations?

MR. HILLIER: I have -- Your Honor, I object to your having made findings to support the minor role adjustment that I haven't had an opportunity to address yet, and that they're based on information that's inaccurate, or may be untrue, or we didn't even know about until this late filing. So I feel there's a due process issue involved here with respect to all of what you said about Grace a few moments ago, relating, ostensibly, to minor role, but really goes to the nut of this case. How culpable is she, and what's the sentence going to be? So I object to that, strenuously.

And I hope Your Honor will simply -- if you would, I would request that Your Honor withdraw those findings until we've had an opportunity to speak more fulsomely to what happened in this case and one of the documents that you relied upon in the minor role, and simply indicate, for the record, that you find it doesn't apply because she was actively involved, and let me talk, and be able to have an open mind, listening to me about what's really -- what she really did in this case, and why we feel some of the conclusions you've made thus far, apparently,

findings, are not true. They're not accurate.

THE COURT: All right. Your objections are noted for the record. My guideline computations are as indicated, and her total offense level then is a total offense level of 34 and a guideline range of 151 to 188 months. Those will be my findings.

As I indicated in my findings with respect to minor role, the guidelines clearly indicate that I need to look at all the facts and circumstances. Minor role is driven by the person's involvement. The guidelines specifically set forth various factors which I have to consider. I note that none of the lawyers really addressed those factors when they wrote their briefs, but that doesn't excuse me from having to look at those factors. I've made my ruling. She's not going to get a minor role. What her sentence is, under all the circumstances, is going to be decided a little later in the hearing. That will be my ruling.

Why don't we proceed with Mr. Hong's sentencing.

MR. ARNOLD: Your Honor, just briefly, can I clarify just one thing, for the record, before we get started?

You know, Mr. Hillier has just asserted that he didn't know about this, because we just sprung these documents on him in a filing on Monday. They were all in the discovery, which was produced eons ago. The e-mail that is -- that Your Honor referenced, that we referenced earlier, is in the e-mail, the

e-mail about the gym membership. It's in the e-mail search warrant. They've had that for over a year. To somehow claim that now the United States is hiding the ball from them, I just want to clarify, for the record, there's no basis in fact for that.

THE COURT: All right. Let's hear from you as to what the appropriate sentence is for Mr. Hong.

MR. ARNOLD: Your Honor, may I have a moment? I have a PowerPoint to get set up.

THE COURT: All right. Why don't we take a short recess, ten minutes or so, and then we'll proceed.

MR. ARNOLD: Thank you, Your Honor.

(Recess)

THE COURT: All right. You may proceed.

MR. ARNOLD: Thank you, Your Honor. Your Honor, this is a serious --

THE CLERK: One moment, Your Honor, please.

MR. HILLIER: Your Honor, may I grab my notes from counsel table?

THE COURT: Certainly.

MR. HILLIER: Thank you.

MR. ARNOLD: May I proceed, Your Honor?

THE COURT: Yes.

MR. ARNOLD: Your Honor, as the probation office correctly noted in their recommendation, this is a serious

offense. And I'm going to get to the heart of the seriousness of that offense in a minute. But it's not just about fraud. This is about trust.

This is a quote, on the screen, from one of the victims that's here today. "The Hongs presented themselves as devout Christians and had all the lingo to go with it. We felt good about them and believed them." That's a victim who had $180,000 callously ripped from his hands. And we'll talk about that this afternoon, what happened to that money.

THE COURT: How long are you going to be talking? I was anticipating we were going to finish at least Mr. Hong this morning.

MR. ARNOLD: Well, we will, but I mean later, with respect to Grace Hong, Your Honor. I hope not to speak too long.

But as the record makes clear, Your Honor, the defendants targeted Christians for a very specific reason, trust and faith. And Your Honor's mentioned this video of this conference. Here's the defendant, perfectly summing up the callousness with which he acted.

(Video recording was played)

MR. ARNOLD: Your Honor, the victims of the Hongs couldn't afford to meet them either.

This fraud lasted seven years. And we're going to go over the seriousness of the offense. And we say "seven years," like

that's just something that rolls off your tongue. But seven years ago, Barack Obama was in his first term, halfway through his first term. That's how long ago this fraud started. And it lasted until 2017. It left devastation in its wake, financially, $12.7 million in loss. Yes, Your Honor, there are two wealthy victims that lost about $7 million, and there's a significant number of other victims that lost smaller amounts of money. But more importantly, everybody suffered a significant financial harm.

THE COURT: Is that a net loss?

MR. ARNOLD: That is the net loss, Your Honor.

THE COURT: Is that an agreed number?

MR. ARNOLD: It is, Your Honor.

THE COURT: Is restitution in that amount agreed?

MR. ARNOLD: It is, based upon what the government understands, Your Honor.

This is a sizable loss, Your Honor, in any fraud context. But as Your Honor is aware, the victims here lost everything. A number of them lost everything. You heard from the Ventis this morning that they would have -- other than the benefits of their having kids, would have been homeless, homeless; so the defendant could live in a 9,000-square-foot house in Clyde Hill; drive a BMW 7 Series, which is on the screen, parked in front; so he could have a BMW X5; so he could have a Maserati; an Aston Martin. There's only two people in this fraud scheme,

Your Honor. There's four cars. Four cars, four expensive cars.

THE COURT: They have four cars, all at once?

MR. ARNOLD: Yes, Your Honor.

THE COURT: I know some of them kind of turned over.

MR. ARNOLD: Oh, they had Lamborghinis in the past. They had a yacht in the past. These pictures were taken on the day they were arrested, Your Honor; four cars, for two people. I mean, I guess they don't want to have their kids ride in their Aston Martin, so get the family truckster, a BMW X5.

Your Honor, they paid $12,000 a month in rent to rent that house. And in his effort to try and minimize his conduct, which I'm going to get to throughout this, Your Honor, the defendant tells probation, well, yeah, he had another -- he rented a house for $6,000. He had another house in Medina that he rented for significantly less, well less than. That's a quote, "well less than $12,000." The fact is, Your Honor, that rent began at $10,000 at the Medina house, and it was up to $11,500 by the time they left. That's the defendant's mind-set, minimizing his lavish spending.

Here's the picture of the Lamborghini and a different BMW. That's the Medina house, touted on Grace Hong's Facebook page. Here's Ms. Hong on their yacht, called *For Grace*. This is the yacht they took to the San Juans. They took investors to the San Juans. They used this wealth to convince people that the

lie that this defendant was telling them, that he managed billions of dollars for people in Korea, was real. They didn't tell them, "Your money is paying for this yacht. Your money is paying for that trip."

This is from January of 2017, just months before they were arrested, a family vacation at the Atlantis Hotel in the Bahamas, paid for with a victim's money, who's sitting in this courtroom. They lived lavishly the whole time. This was about greed. They targeted Christian investor victims, so they could spend money on four cars, expensive houses, clothes, travel.

This is a picture of the presentation to the church. It's a screenshot from that video. And it shows -- look how many people are there. And we're not calling it a church, Your Honor. You listened to the video. They call it a church, despite Mr. Frush's attempt, in his brief, to say it's something else. They're the ones saying, "We're speaking at a church." They're the ones targeting these individuals. They're the ones that named their company after a river in the book of Genesis. They're the ones that repeatedly told investors that they were generous in their religious and charitable giving, and that the investor profits could do the same. And the government acknowledges that it was a close call, and the Court didn't give the enhancement, but that doesn't minimize the seriousness of that conduct.

Your Honor, the impact of this fraud isn't just financial,

because of the nature of the religious nature of this fraud. It's emotional, and it's spiritual.

And I put two other victim impact statements up on the screen. S.Q. and J.Q. write, "The emotional impact of this fraudulent scheme has greatly affected our marriage and relationships with our family and the church community. We have been dealing with issues of anger, shame, and regret from being victimized by the Hongs."

In any fraud scheme, Your Honor, victims are left wondering why they invested with somebody. Why did they get duped? But when it's targeted based upon their religious beliefs, it's a deeper harm. And it impacts people not just on a financial level. It impacts marriages. S.Q. and J.Q. are also the ones that had the son that was supposed to be getting a job with this defendant; that was depressed; that couldn't barely finish school, because this defendant lied and said, "You're going to have a job with me when you graduate."

C.E. and E.E. write -- and by the way, these are normal folks. These aren't billionaires. These aren't millionaires. E.E. is a former middle-school teacher, who used her middle-school teaching retirement savings to invest with the defendant and Ms. Hong. Here's what she wrote. "We had to move from our existing home, neighborhood, and friends, because we were financially not doing well after the loss. Our children have stated thoughts of being fearful of not having

enough money and not knowing where we will live next. Our marriage also has suffered in trusting each other with finances."

Your Honor, this -- when I said this fraud left devastation in its wake, it left lasting devastation to the kids of these victims, the kids of the victims, whose parents don't have money to pay for their college, who can't buy them the best schools -- buy houses in the best schools, so that they could drive four cars.

Your Honor, the fraud didn't just encompass all of this. And I could talk for all morning. But Your Honor is well aware of what's going on. You've seen this. You've seen all the material.

But to perpetuate this fraud, the defendant -- let me back up. The defendant started this fraud nine months -- nine months -- after getting out of prison for his first fraud, a conviction from this court; nine months, compared to seven and a half years. And to be able to cover it up, he engaged in stealth and deception to the probation office and, through the probation office, to this Court. They had Grace and his mother write checks to his purported employer so that he could show them to the probation office. And Grace admits that in her materials.

In 2016, the Department of Justice, my office, the financial litigation unit, wanted to check in, be diligent.

Let's see if we can get that victim some restitution from that prior fraud, those three victims. And what did he do? Well, he sure didn't want to pay it. Even though he was living this high-flying lifestyle, he lied. Said he was a stay-at-home dad. Said he didn't have assets, didn't have a job, couldn't get one because of his conviction.

Your Honor, in his own letter to the Court, Lawrence claims he made a million dollars, trading, in 2011. Now, that money was all obtained by fraud, so give it what credence you will. But even if you believe it, did any of that money go to the restitution order? At most, he was paying a thousand dollars a month. That's the most he could be troubled to pay down an $800,000 restitution order.

Your Honor, throughout his sentencing memo, the defendant, in the face of all of this overwhelming evidence and the affinity nature of this fraud, he repeatedly minimizes the offense conduct. He calls this "a middling, if not a lower level, fraud." I don't think the Ventis think that. I don't think the other victims here think that. And it's directly contrary to the wealth of the evidence against them. But what can he say? What he should say is, "I'm sorry."

Your Honor, he also claims in his letter, "I really wanted to create a company that will benefit a lot of people," yet you saw what he did with the money. He's not just investing it. He's not renting some small house and driving used cars so that

he can benefit people with this company. No, this company was created so he could put money in his pocket, and he and his wife could live high on the hog.

The defense makes this big argument about different stratas of investors, and SMA investors versus the big two investors. But what's clear, Your Honor, and the probation office correctly notes this, the defendant lied to every one of them to get their money. Nearly everybody he lied about managing these billions of dollars in Korea. Those two biggest victims, those were investments, not promissory notes. Somebody's not giving the defendant $4 million that he can spend on whatever he wants. They were investments. They had investment contracts. The promissory notes were done two years later. But, again, the defendant has to try and come up with some argument that minimizes the conduct here. But he can't square it with the facts. He's culpable for everybody. He lied to everybody.

There's another argument about sometimes they made profits trading this money. And somehow he tries to argue that he can use the profits that he obtained to buy stuff for himself, the profits he obtained from fraudulently attained money. No. Of course there's going to be profits. Because when you're creating a three, four, five, what eventually is a 12-million-dollar hold, you might as well go to the blackjack table, go to the roulette wheel. That's what he was doing.

And, yes, sometimes the trading accounts were up. Sometimes they were down. Unfortunately, they were really way down. And sometimes they took the money straight out of it and put it in their pocket. Trying to say, in some way, that because he was a good trader, at some times, he was allowed to keep money? No, not good people's hard-earned money.

Your Honor, I want to get to a couple of other just quick points. The defendant makes a big argument about this isn't a Ponzi scheme. One, that's directly contrary to the evidence with respect to two investors, as the PSR notes. Two investors were paid with money obtained from other investors. But more importantly, this is worse than a Ponzi scheme. Investors in Ponzi schemes get paid back, at least some of them. No. What the defendant did is he used that religious hook to convince these people, and lie to them, to leave their money in. That's worse than a Ponzi scheme.

Your Honor, the sentence that we're recommending is definitely supported by the history and characteristics of the defendant. As note -- you know, what I've just talked about, his conduct alone in this fraud, and his attempts to minimize his offense conduct, is enough to show you about his history and characteristics. But, Your Honor, you know this defendant's a career con man, a career con man.

Now, I want to mention these first two. And, Your Honor, I understand you mentioned you might not give them weight, but

here's what I want to note. They're not contesting the fact that he was actually sued in 1998 for fraud. They're not contesting the fact that he was actually under investigation by the Korean National Police. They have a justification, some story --

THE COURT: I'm not going to -- my sentence is not going to affect allegations in a lawsuit that never was tried, or an investigation --

MR. ARNOLD: I want to make just one quick point. I'm not saying rely on the allegations, Your Honor. But the fact that he was sued and under investigation, alone, didn't deter him. That's all we're saying, whether it's true or not true. Consider the fact that he was sued and under investigation by a foreign police agency. It didn't deter. That's what we would like the Court to consider.

Sometime prior to 2007 -- and this is acknowledged by the defendant -- he defrauded two investors with the initials Y.W.K. and S.W.H. Those are the two investors whose fraud losses were included in the restitution order in U.S. vs. Sung Hong, in front of Judge Robart, the 2007 case. And we know about that 2007 case. That's the one that led to the 33-month conviction.

When we talk about a prior fraud conviction for investment fraud, let's talk about the facts, just for a minute, the facts of that case, in the complaint. In his own letter to the

Court, he acknowledges some of them. He ripped off his neighbor, got him to invest, similar to what he did with our investors. And when that investor wanted his money back, he made up a story about some Asian mafia, called "The Clan." And he told that investor, "If I pay your money back, The Clan will come, and they'll kill your daughter. And they'll torture her first, and make you watch, and then they'll kill you next." What does that say about his history and characteristics? He did get a 33-month sentence for that, Your Honor. That's the one he started -- finished and then started this fraud, nine months later.

We talked about the false statements to the probation office, through the whole period of his employment; the false statements to the Department of Justice; the long list of fraudulent activity; culminizing [sic] in this seven-year investment fraud.

Your Honor, another factor that the Court's directed to consider is deterrence. And it's rare when the government makes the statement I'm about ready to make. But there's no statement that can deter this defendant. None. Nothing. Given the offense conduct here; given his history and characteristics; given his attempts to minimize this fraud, calling it a low-level, middling fraud; the fact that he has a prior conviction and got 33 months, there's no sentence that can deter him, which leads us to the next and most important

point, the need to protect the public from further crimes of the defendant.

Tellingly, Your Honor, the defense doesn't even address this factor in their brief, because they can't. Because all of the facts, all the facts, point to a long sentence of incarceration is the only thing, the only thing, that will protect the public from further crimes of this defendant.

And how do you know that? Here's 2008, off the sentencing hearing. The victim of that fraud accurately predicts that this defendant will reoffend, will be right back here, where he is. This is what he told Judge Robart: "The main item here is to protect the public from further crimes of the defendant. My goal here today is that he be removed from society, so he can't hurt anybody else. He won't stop. He can't stop. And if he gets a short sentence, he's just going to be back out there doing this stuff again." Unfortunately, he was right.

And what are the new victims saying? And, Your Honor, it's important to note, these are the people that dealt directly with the defendant. They're not me. They're not the Court. They're not his defense lawyer. These are the people that met with him and, in this case, prayed with him.

Here's what K.G. writes: "Lawrence already served time for committing this same type of crime. And as soon as he was released, he went back into doing the same thing again." K.Y. is here today, says, "All I can ask is that justice be served

for the main victims, like myself, and to ensure that this cannot happen again."

Your Honor, all these facts show that there's nothing that will assure this Court that he won't do it again. Nothing. His statements won't, his feigned remorse in his letter to the Court. This courthouse has seen that before. Judge Robart saw it before. That's from his letter to Judge Robart: "I'm very sorry for the pain and difficulty I've created for my family and the victims of my activity." His letter to this Court, "No words can adequately describe the pain and guilt that I feel for my crime. The hardest guilt to swallow is that I betrayed my friends and family members." You should discredit that letter. He's tried that already once.

And he tried it in his oral allocution in front of Judge Robart too. Here's what he said orally: "And, Your Honor, once I get back into society, not only will I try my best, even if it means getting menial jobs, multi menial jobs, I'll try my best to pay back my debt to the victim, and you'll never see me here again, because I learned my lesson, being incarcerated." Your Honor, that's the defendant's statement saying, "You don't need to worry about the need to protect the public. I've learned my lesson." And what's he asking the Court here? "If I could have one prayer answered by God, I wish that I can one day go out into society and do the very best to pay off the restitution." He's trying the same thing.

Your Honor, there's nothing in this record that indicates any willingness that he's going to stop this activity. Nothing.

Now, I know, Your Honor, in our telephonic hearing, wanted us to address the need to avoid unwarranted sentencing disparities. And we tried to make this clear in our brief. The key word in this is "unwarranted." And we'll come back to that in a little bit. But the facts are, this section of the statute says you need to compare it to people of similar -- defendants of similar records, engaged in similar activity. It's hard, in this district, in particular, Your Honor, to find investment fraudsters that are recidivists, that have come back before the court. It's hard nationwide. But what we've done is, we looked at the investment fraud sentences that we provided to the Court in the chart, basically from 2010 on, and we put them all in there, the good --

THE COURT: Help me find that chart.

MR. ARNOLD: I believe it is -- Your Honor, it is on -- it's attached to our sentencing brief as Exhibit I, which is the last exhibit of 114.

THE COURT: I have it. Thank you.

MR. ARNOLD: Your Honor, we go through and provide that to the Court to give the context of all investment fraud sentences. And there's only a couple of folks on there that had prior convictions, and I'm going to talk about both of them in a minute. But what you'll see, just in general, is that

investment fraud sentences in this district, for the last seven-and-a-half, eight years, have hewed relatively close to the low end of the guideline range. This is for people with no history of criminal conduct. Most of them are CHC ones and no prior offense conduct at all.

But what we want to do is highlight two cases, first, that the Court, we think, should consider, because they're the most recent. One is the case of Chris Yoo, a case that this Court is very familiar with. It's a case where the Court sentenced Mr. Yoo to a sentence of 108 months, nine years in prison. That was a fraud by an investment adviser. The loss was $3.7 million. This is about four times as much. That had 17 victims. This has 57.

THE COURT: Are you aware that the Ninth Circuit has reversed my ruling, and it's coming back for resentencing?

MR. ARNOLD: We are, Your Honor, and we noted that in a footnote, with respect to the guidelines. But the guidelines are advisory. And we -- the Court's going to do what it's going to do on a resentencing, and we're not here to imply that the Court should or will give the same sentence.

THE COURT: Well, the point I'm making is that you're relying on a sentence that the Ninth Circuit said I used the wrong guideline book, and we'll have to do it again. But I gave him nine years.

MR. ARNOLD: And what I think is important is,

whether it was six, seven, eight, Your Honor, is, this is a case where the defendant self-reported the crime, walked it in. His defense lawyer called the U.S. government and said, "Hey, my client's been committing a crime. He wants to come in and confess." And he did. And he walked the government through what happened. And Yoo has no criminal history, not like the defendant.

The other case that we've highlighted next is Zieske, which is a case in front of Judge Robart, from this year. Your Honor already referenced that with respect to one of the guideline enhancements. Zieske is closer to this defendant, because at least he had a prior conviction. It was a prior investment fraud conviction. And, in fact, he got a similar sentence on his prior conviction, of 41 months. But he had completed his supervised release, unlike this defendant. No allegations that he lied to the probation office, unlike this defendant.

But here's what's important. That loss was $127,000, one hundred times smaller than the loss here. Two victims. Two, not 57. No affinity fraud. No religion component. Not targeting people based upon the same religion, over and over and over again. And after a trial -- admittedly, that was a trial -- he got eight years in prison. That's the low end of what Mr. Frush and the defendant are asking for. Two victims, $127,000 in loss, no religious component. A sentence close to

eight to ten years would result in unwarranted sentencing disparities with Mr. Zieske, for this defendant.

Now, interestingly, talk about the case we probably all are going to talk about, Darren Berg, one of the other serious crimes, as the probation office points out, in this district. In fact, Mr. Frush and the defendant, in their memo, say, "The parallels to Berg are compelling in Lawrence's case." Despite these compelling -- their words -- parallels, the defendant asked for eight to ten years. That's simply not a credible rec. And the defendant knows that.

We do agree there are a number of compelling parallels with Berg. That's why a sentence of 18 years should be the Court's floor. Floor. Yes, Berg's fraud was larger, both in loss and in the number of victims. But Berg cooperated. The bankruptcy trustee in that fraud told the United States, which put in its sentencing memo, that Berg helped them. The defendant didn't do that with us. Never sat down and unraveled transactions with Korea, identified victims. Just because in a post-arrest interview he said, "Yeah, I don't manage billions of dollars in Korea" -- something, candidly, we already knew, or highly suspected, because there's no money from Korea -- he wants to call that cooperation. That's not cooperation.

THE COURT: Why were his guidelines so high?

MR. ARNOLD: It was largely driven by the loss amount and the number of victims. It was a six-level enhancement, I

believe, and the loss amount was well -- like, $120 million, I think. I have the memo, if you're --

THE COURT: Well, your loss amount in the chart says $140 million.

MR. ARNOLD: Yeah, I mean, I derived that from the sentencing memo. So I think that was largely what drove the guidelines above the chart.

But importantly, Your Honor, Berg's conviction was old. He had a prior bank fraud conviction, not an investment fraud, from Oregon, not from here. And it was old, so it didn't score at all. It wasn't somebody that got out of prison after nine months and started doing this again, lied to probation, lied to the government, and did this for seven years, two of which he was supposed to be on supervised release. There's no other mention that Berg has any other indicia of fraud at all. And we now know that at least the defendant wasn't deterred by a lawsuit in another investigation. Berg asked for 18 years. He walked into this courtroom and asked the judge to sentence him to 18 years. Now, the government did too. It was a joint rec. But that says something about Darren Berg's history and characteristics.

But, Your Honor, we now, with the benefit of hindsight, know, Darren Berg's sentence wasn't adequate.

THE COURT: He's not serving 18, is he?

MR. ARNOLD: Nope, not when he walked away from

prison. Comparisons to Berg are compelling, but, Your Honor, this defendant deserves more than Darren Berg.

There's no real analysis on the other side, by the defendant, of this unwarranted sentencing disparity. What the defendant does is, he cites to a Judge Block written opinion in a case involving the Parris brothers, in the Southern District of New York. And it's really just an attack on the guidelines. But that case is different than this case. That involved two brothers, engaged in a pump-and-dump scheme, with no criminal history. This case involves a defendant who's convicted of the same thing, not telling his victims about his conviction, preying on the religious belief, preying with an "E," as he prayed with them, with an "A." Your Honor, he prayed with these victims. That's not the Parris case, of some pump-and-dump, that's happening behind the scenes, and the investors don't even know what's happening. He was in their home.

Your Honor, the problem with trying to do some -- this is more of a science -- or an art than a science, is what I'm trying to say. You know, we can point to a 2017 case in the Eighth Circuit, *U.S. vs. Meadows*, 866 F.3d. 913. And I didn't include that in our brief, and I apologize for that. But this just goes to show you that you can pick and choose whatever you want, but the Court is obligated to look at all of these factors.

Meadows was a first-time offender, similar loss, similar victim enhancement, sophisticated means, violation of securities law, had vulnerable victims. Now, we didn't get a religious organization, but one might say, for seriousness of the offense, they're similar. He didn't get acceptance. The guideline -- his range was a Level 39. He got 300 months.

The issue is, you can always find a case that fits it. But this defendant is this defendant. And when you look at every other factor, there's not a sentence this Court could give that would be unwarranted if it did create a sentencing disparity, definitely not the 292 months that the government's recommending. Is it a long time? Yes. Is it what's needed to protect the public from further crimes of this defendant? Absolutely.

Unless the Court has any questions, that's all I have.

THE COURT: No questions. Thank you.

MR. ARNOLD: Thank you.

THE COURT: Mr. Frush, I'm proposing that we'll continue and finish this, but I don't want to limit. But I think it would be appropriate if we could finish this sentencing, and then we'll take -- we'll have to take a recess for lunch. But so I just wanted to alert you, and take what time you need.

MR. FRUSH: Thank you, Your Honor. I will. I appreciate the consideration. I too would like to finish it.

Your Honor, this is a terrible crime. I'm not up here to tell you otherwise. We've already stipulated, Your Honor, that there were five victims, over seven years, that were substantially -- had suffered substantial hardship because of the fraud. And I'm aware, and we're aware, and Lawrence is aware, that those five people did suffer significantly as a result of his actions. But my role here, Your Honor, is to not pound the table, and raise my voice, and say how terrible, terrible, how totally unredeemable Lawrence is. My job here is to put things in context and try to point out the facts that the government is, frankly, unfairly misrepresenting to the Court.

Now, from the government's own financial information provided to us in a spreadsheet, Your Honor, the reality is that the Hongs received $21,836,000 from investors. And I don't believe this is an exhibit to anything, but I'm sure Mr. Arnold will correct me, if I misstate. So they basically received $22 million, Your Honor, from investors. Now, of that $22 million, over $9 million was returned to the investors, $9,128,000. I'm leaving off the hundreds and cents. And that gives us a total loss amount of $12,726,000, which I was told by Mr. Arnold this morning might be modified a little, because they found that there was a difference in some amount that was returned. Most of the people who invested with the Hongs, with Lawrence, received money back.

In fact, one of the victims that you saw flashed up on the screen, Your Honor, S.Q. and J.Q., who talked about the impact on them -- and I'm not trying to minimize how they feel, but I'm trying to put things in context, Your Honor. I don't minimize how they feel, and that it's been an issue for them. But they invested a total of $1,525,000. They received back from Lawrence $1,294,000. They received back over 80 percent of the money they invested. They had a total loss of $230,000. These are the government's own figures. So they did suffer a loss. I don't minimize that. But they had a million three come back to them, and they ended up losing a little over $200,000. Now, they did not end up sleeping in a car, and most of the people did not end up suffering losses that devastated their personalities or their lifestyle.

The other investor that was flashed up on the screen, C.E. and E.E., invested a hundred thousand dollars, and they lost it all. We admit that. But I'm here to put things in context, Your Honor.

The Hongs -- Lawrence had these SMAs. And a lot of these people, he never met. He really never knew them. He didn't make a direct solicitation to them. All the Primoris investors were brought to him by Alex Choi -- Allen Choi. They were Koreans. Lawrence never met them. These people at the prophetic conference -- and you saw the tape, the video. The fellow who's really urging people the most -- and I'm not

minimizing his conduct -- but Pastor Sweet is up there banging the drum, Your Honor. You watched it. "I gave Lawrence a million dollars. He's made $200,000. He's making six percent a month for me." And those people contacted Lawrence, and they asked to invest money. And they had them in these SMAs, where he doesn't have access to the principal. He doesn't have access to doing what he wants with that money.

And, in fact, as Your Honor knows -- or maybe you don't know -- most investment advisers charge a fee for assets under investment. Usually, it's from a half a point to two points, all right? They didn't charge that. They said, "If we don't make money for you, you owe us nothing." And you saw, from Mr. Miller's declaration, that the percentage of return that they did make was almost a quarter million dollars. They made $227,000 in fees. And that was from money they made for other people. And the government wants to completely discount that. They want to ignore the fact that this was not a situation like the pump-and-dump runners in Brooklyn, where you just take the money and run. This was not a Bernie Madoff, where you took the money -- or even a Darren Berg -- where everyone is being paid off with new investors, the classic Ponzi scheme.

The government's own admission is that there were two people that received money back because other people gave the Hongs money. That is a significant difference in a lot of these types of frauds. The Yoo case, Your Honor, that was

brought up by the government, that's coming back to you for resentencing, was a classic Ponzi scheme. And talking about him coming in and throwing himself on the mercy of the Department of Justice, it was because the SEC audited him, and they were going to refer it anyway. And his defense lawyer, Michelle Peterson, was smart enough to get him over to the prosecutor before the SEC referral came in, or maybe it had already come in. I don't know. That's why he showed up here. Let's put things in context, and not misrepresent what the facts are.

This -- we laid it out in the brief, Your Honor. There is a $12 million loss, all right? $7 million came from two sophisticated investors who did not suffer substantial hardship. One of those, Mr. Cheng, was a very sophisticated investor. He was going to be a partner in the Pishon entities with the Hongs. And, in fact, some of the things that the government has complained about is that they used his investment track record as a misrepresentation in a prospectus that was prepared. But these people started out, really, as partners, investors, and they morphed into someone who became a promissory note holder that -- and those promissory notes were not due until this year. Now, I'm not minimizing it, but I'm trying to put things in context, Your Honor. This is not him out there, preying on widows and orphans, and simply taking the money and ran.

As his letter points out, Your Honor, when he got out, he still felt compelled to want to be a trader. He always wanted to be a trader. And I'm going to come back to the characteristics of the defendant in a few minutes. But that's what was motivating him. And you read that letter, Your Honor -- and I had nothing to do with writing that letter. In fact, I had to go down Tuesday and get it from him, and filed it the same day. I had absolutely no editorial input to it. He wanted to be a trader, a stock trader. He loved the market. And he -- it was what he wanted to do. And, unfortunately, frankly, he met Grace Hong, who had enough credentials that he could see her as an avenue to letting him do what he wanted to do, where she would basically be the front end of the investment firm and have the appropriate licenses, and be legitimate, and that he could actually be the trader. And he was good.

You know, the government mentioned, in their supplemental filing, the fact that she didn't report -- they reported no income from 2012 on. Well, they conveniently, again, in half truth, forget to admit or talk about the 2011 tax return that we've received in discovery. This is not money made for investors. This is money made by the Hongs. They reported $966,802 as income, and they paid tax on that. They paid $167,664 in tax in 2011. And Lawrence references in his letter to you, Your Honor, that this was the sort of thing that

falsely led him to believe he could do this, that he made a million dollars in one year. And of that, they give $129,653 to charity.

Now, there's so much made of the house, and the cars, and the yacht, and the vacation, and the shopping. Some of this was part of the fraud, Your Honor. I don't deny that. Because every fraud involves trust. This is not a special case. Every fraud you ever see, people trust the person they're giving their money to. They might be motivated by greed. They might be motivated by altruistic reasons, thinking it will help a charity, or an organization, or for the glory of God. They might be motivated for some other reason, because they have their own agenda. But there's always trust. You know, nobody ever comes before you that took money from people that didn't trust them.

Now, the house and the cars, it was part, I believe, of the persona that allowed them to defraud people. And that is reflected in the loss amounts and in the number of victims. And we've had, in fact, with Mr. Arnold, another case where I recollect you ruled, for guideline calculation, the number of victims included couples as one victim. The real number of victims in this case is in the thirties, as Mr. Miller points out in his declaration. And five of those victims, Your Honor --

THE COURT: Is that because some are couples?

MR. FRUSH: Because they're couples.

Mr. Miller points out, Your Honor, that there's five people that didn't lose any money. They made money.

What happened to him was, he guessed wrong on the 2016 presidential election. And I dare say that there are a few of us who guessed wrong on who was going to win that election. And I remember waking up in the middle of the night, and the Dow futures were down about what they were down yesterday, about 800 points. It's -- you know, he had a gambling problem that Judge Robart commented about.

Playing Standard & Poor futures, Your Honor, is about as close as going to the casino as you can get and not go to a casino. Clearly, his desire to be a trader was influenced by that compulsion to risk money, and I don't -- I'm not here to analyze him. But, clearly, they were risky trades, and he got slaughtered when the election was over.

And if you look at Mr. Miller's declaration, Your Honor, this is -- was filed with our sentencing memorandum. This is Docket 109-8. As of October 31, nearly everyone who was invested with the defendant -- this is on Page 2 of 5 of Document 109-1, Your Honor.

THE COURT: I have it.

MR. FRUSH: Now, as Mr. Miller points out that -- he references the charitable deductions in Paragraph 1. But at Paragraph 4, he highlights what was in these accounts, these

SMAs, as of the end of October, which is the period of time -- this is before -- eight days later, we have the 2008 [sic] election. If you see, all these people were well ahead at the time of the week before the election, and Lawrence was actually making money for people.

This is not your typical Ponzi type of fraud. This is somebody who is trying to make people -- money for people, who's working hard to make money for people, and who only makes money for people when he succeeds in making them money. And you see the -- Pastor Sweet's church, who had made 21, 22 percent. You see all these people had very handsome gains until the election. One of those people, Your Honor, is Mr. Venti. That's under 4B, C and M Venti. He had invested $75,000. The Ventis withdrew $88,596 on 6/7/16. Lawrence made $13,000 for the Ventis. Now, I'm not here to attack Mr. Venti. I'm here to put things in context. It is true that Lawrence made $13,000 for the Ventis in the SMA. And they were smart enough, or lucky enough, to cash out before the election.

Now, Mr. Venti has other issues that we only got a whiff of when he was up here, when he talked about the second mortgage holder who freaked out, were his words, after the Hongs were arrested, and forced Venti -- I don't know how he forced him -- Venti to give him a deed in lieu of foreclosure and took the house. And that's why he lost the house, was because the second mortgage holder, quote, "freaked out because

they were arrested." Lawrence had nothing to do with that.

Now, Mr. Venti had given Lawrence about $80,000 to hold, that's not reflected in the SMA. After that time -- and he said because the bank might seize it. He was having problems. He came to Lawrence, and Lawrence gave him back $15,000. So he's got about $65,000 in Lawrence's hands. At that point, Lawrence had paid first and last month's rent of $24,000, so he's paid up, after the arrest, for at least a month, and he had a $50,000 security deposit. That was in the funds that the government seized at the time of the arrest.

So if you deduct the -- apart from the fact that the rent was paid up through the end of the leasehold, the first and last month's rent, the $50,000 deposit, that the government kept because it was commingled in Lawrence's funds, was money that he should have -- Mr. Venti should have been keeping in a segregated account, in any event, gave the money back to Lawrence.

What I'm trying to do is put things into context. This is a situation where, actually, in trading, he made money for the Ventis, and they profited by $13,000. Again, you look at Mr. Miller's declaration, all these people were up. This is not your typical -- your typical fraud, Your Honor, that you get here so often, and that we've been here so often on.

Now, if you'll give me just a second, Your Honor, I'll try to wrap this up.

The guidelines, as the Parris case makes it very clear, Your Honor, so overstate appropriate sentences for financial crimes. And there's so many add-ons. And, in fact, I tried to get in and plead him guilty to the original indictment, and the government superseded at that point. It wasn't because he was exercising a right to trial, which I think is perhaps a legitimate reason to supersede. It's because I wanted to bring him in and plead him guilty to the original indictment that didn't have a conspiracy count, which, under the Yoo theories, I might not have been able to be forced -- I might not have been forced to admit that there were five people that had substantial hardship.

But in any event, these guidelines so overstate what the appropriate sentence should be. And when you look at that schedule attached to the government's brief, that we talked about, you look at the sentence imposed and the guideline range, the one exception is the -- is the case where there was a prior federal investment fraud conviction where the guy went to trial. And, apparently, that was not, clearly, acceptance of responsibility, and is typical that you might have a longer sentence when somebody goes to trial. You look at all the others, the actual sentence imposed is substantially less than the guideline sentence. And the Parris case makes it -- an excellent decision -- an excellent discussion.

You look at Darren Berg. Darren Berg's range was 420

months. And, actually, it was a lifetime sentence. The government carefully drops in a footnote that his calculation called for life -- a life sentence. We've used the statutory maximum for purposes of this chart. Well, it could have been life. And he got -- even if you use a statutory maximum of 420 months, he got about half that. He got 216 months.

Judge Jones sentenced Darren Berg. I'm reading from the *Seattle Times* article that came out on February 9, 2012. And let me just add, as an aside, Your Honor, the fact that Mr. Berg walked away from custody, and is still at large, should in no way reflect your sentence imposed on Mr. Hong. That's --

THE COURT: That's clearly the case. I mean, it's only the sentence amount, in numbers of years, is relevant, because it's one of the cases from the district.

MR. FRUSH: I agree.

THE COURT: His walking away has nothing to do with it.

MR. FRUSH: Thank you, Your Honor. I appreciate that.

This was a situation where the amount of loss was $120 million -- actually, 140-, as the government points out. The Ponzi scheme went on for ten years. There was an enormously lavish lifestyle.

And I want to get back to the lifestyle for a minute.

Some of the cars were leased. There weren't all -- having all the same cars at the same time. Dr. A provided the money to buy the boat. And he said, in his 302 interview, that once it was sold, he lost no money on the boat. So we're going to punish people because Dr. A buys them a boat, and he doesn't lose any money on it? Now, I think you can say, "Well, you used the boat as part of the fraud." But, you know, Lawrence didn't live extravagantly. They took one extravagant vacation, and they lived in a nice house, which, I suggest, is part of the fraud, all right?

So Berg had an enormously lavish estate and enormously -- on Mercer Island, and an enormously lavish lifestyle. He did sit down with the trustee, Mark Calvert, spent a few hours helping him unravel some very complicated business transactions. He was found, during the course of his supervision, prior to sentencing, to have been, I think, dishonest about funds that he was secreting, and Judge Jones revoked his supervised release.

This fellow admitted what he did, and he didn't -- they didn't need him to tell him who were the potential victims, because they were all in the SMAs, and all in the records that they had, the bank records. They didn't need him for anything. And he's always -- he's always admitted what he did. His letter to you is clear in that regard.

And Berg had over 500 victims, I'm sure, who -- many of

whom were affected by the substantial hardship. And he had a prior conviction. Now, in fairness, we don't know, and Darren Berg said, when he was sentenced, "Did I run a ten-year Ponzi scheme and defraud you for ten years, or did I run a legitimate business and then defraud you?" Well, we don't know. We do know that he tried.

Now, he lied about the money in Korea. That's what this fraud is about. He told people that, "I live well. I make a lot of money for investors in Korea." They were completely fictitious. That's the crime here. And people trusted him because of that, and they may have trusted him because they prayed with him. You know as well as I, Your Honor, that we get a lot of frauds in here involving religious groups, and that people are trusted. Mr. Chatterjee was an elder in his temple. We've had -- I've had more Mormon clients than I can shake a stick at in these areas. It's just they are trusting people, and faith is part of their makeup, and they foolishly trust people with money. As Mr. Venti says, "I should have done my due diligence." Now, that doesn't excuse what he did. I'm not there [sic] to do that. I'm here to try to put things in context.

He talked about seven years being a long time. And he referred you back in time to seven years ago, what was going on in our lives and the life of the republic, with President Obama, yet he wants to lock this man in a cage for

three-and-a-half times that period of time.

This is a tragedy, Your Honor, for a lot of people. Now, I will say that at least five of the people, it's a significant tragedy for, who were victims. Most of the victims did not have their lifestyle substantially affected. Even the one quoted by the government to you in the slide show, they got back a million two or three out of a million and a half.

To go through -- I was always troubled, Your Honor, and the first time I saw Mr. Hong, first thing he said to me, Your Honor, was he wanted to see if I could do something that could help his wife. And we tried. And unlike other cases I've had before Your Honor -- I just had one this last year -- where a defendant cut a deal where the government backed off his wife and recommended home detention for her, instead of two years in prison. And this is all public record, Your Honor. It was all before you before.

I could not broker a deal with them. There has been absolutely no compromise on the guidelines. There has been no compromise on the superseding indictment. There has been no compromise whatsoever by the government, because they continue to try to view him as -- you heard Mr. Arnold, Your Honor. And they ignore the context of what really occurred and what he was -- what they were trying to do.

I couldn't figure out -- I mean, seven years is a long time. What did you think was going to happen? They were

hopeful, if you read his letter, that this was going to work out. As of 2016, right before the election, it was working out. They were making money for other people, and they were making money for themselves.

Now, the day was going to come, and that's mentioned in his letter, when the $7 million they owed to Dr. A and A.C. was going to come due. And that was a concern, but they thought they could work out of it, because in one year, they had made a million dollars for themselves. Now, I know it was made because -- well, some of that was made because Grace's family invested money with them, as you're aware. And so some of that, I think, is not quite fair to say, well, that's the fruit of that poisonous tree.

Now, Mr. Hong has just turned 47 last month. As you know, he's got a six-year-old, a four-year-old, and a two-year-old. I suggest to you that the sentence that we've recommended lets him come out at a period of time where he can actually -- eight to ten years -- play a role in those people's lives, that is meaningful; that gives him some hope for the future that he can get out. Supervision, I hope, will be more aggressive than it was last time. It should be, clearly, in his case. And I know probation, who does a great job, will certainly understand that, when they do get him for supervision.

The probation recommendation, I think, although -- and I'm not saying this just because they agreed with us on the one

guideline calculation. And they don't agree with my recommendation either. They recommend 144 months. And they go through it. The last page of their recommendation, I think, does a great job. They say, "We're trying to strike a balance between the seriousness of the offense and proportionality." And I think this is -- Your Honor, I think this is 103, attached to 103.

THE COURT: I have it.

MR. FRUSH: If you look at Page 5 of their revised amended sentencing recommendation, the second-to-the-last paragraph, they talk about the balance between the seriousness of the offense and proportionality. They say a 12-year term of custody. Your Honor, 12 years is a long time. It's almost twice what the government tried to make you believe was an enormously long time that this fraud occurred, when they talked about seven years. They say a 12-year term of custody will send a strong message to the defendant. Believe me. It will.

I've seen this, Your Honor. When people get in their forties and fifties, and they're looking at hard time, there's kind of a wake-up call that some of us may get a little later, but I think we all get it, eventually, which is, there aren't as many sands in the hourglass as we foolishly thought sometime before.

Twelve years, to a man who's 47, is a long, long time, and it's a good portion of the life he has left. It says that --

that it will send a strong message to the defendant and to the victims, and it is a heavy price. It will protect the community from the defendant for the next 12 years; and with three years' supervised release, should be 15. It will serve as a general deterrent to others and show the victims that our justice system can hand down punitive sanctions.

They also say -- and this is very important, and you brought this up in a pretrial conference, the disparity issue. And I think when you look at all the cases, and especially the Berg case, where you have a substantially larger loss amount, 12 times the loss amount; and you have -- you have 500 victims, instead of 30; and you have somebody who's just operating a Ponzi scheme, and not having any hope of actually making money and becoming legitimate.

Now, I was shocked by the letter from his mother, because I couldn't figure out, why did you do this? That was the other part of the conversation I had with him, when I first met him. After he mentioned his wife, I pressed him. I said, "Why did you do this?" And it has been -- the letter came out of the blue. And, again, I had nothing to do with drafting it. And if you read that letter and you see -- I thought something was funny. Because Mr. McNickle and I were there, interviewing Lawrence, and he says, "Well, yeah, my father beat me, and he beat my mother, but, no, there was no abuse in the family." And I'm, like, "Wait a minute. That doesn't make sense." And

Lawrence told me, on Tuesday, when I finally got the letter from him, that he remembers his mother -- his father beating his mother, where it nearly split her head open. And he had repressed it.

He was a foundling. He found out last week that he has four siblings, three brothers and a sister, in Korea; that in their neighborhood where he was raised, his mother was infertile and had miscarriages, and her husband was maltreating her, as a result. And in Korea, it was not a good thing not being able to produce an heir. And another woman in the neighborhood's husband died, after she was pregnant. And she already had four kids, and she knew that his mother did not have a child. And when he was three days old, he brought him to her. And she made a pact with her husband. You can do what you want. Let me keep the child. And he suffered an emotional abuse and a physical abuse throughout his childhood and his young adulthood. His mother talks about how she would beat him with a poker. There was no love in that family; and that the mother told him that if you want to be loved by me, you will succeed materialistically, financially.

And he runs the grocery store -- he didn't have a childhood. He ran a grocery store. And I still have to use an interpreter to speak with her, even though she ran a grocery. And a husband -- what happened was, her sister had married a GI, in Tacoma, and she had brought -- she came -- the sister

brought his mother and him over, and the dad tagged along. It was -- as I point out in my sentencing memorandum, it was not a real marriage, and they kept their businesses separate. And she ran, first, the grocery store, where he worked, and then the motel, low-level motel, with prostitutes and drug addicts, that he would make rice and kimchi for. And his mother abusing him, emotionally and psychologically, and saying, "If you don't succeed financially, I will not give you any love." And when he does succeed financially, she says, "I love you."

The characteristics of the defendant are the first thing that the statute directs you to consider in fashioning an appropriate sentence. I suggest, Your Honor, that that upbringing brought him here today. And he was musing with me the other day, "If I had known of my other family, earlier, would it be different?" And he found in Grace Hong an avenue to what he thought would allow him to be a legitimate trader. And he did a pretty good job until the election.

Now, he lied. He cheated. He misrepresented. He took advantage of people. But we're talking about how much time. And I suggest to you that eight to ten years is sufficient and does justify our lower recommendation than probation, because they were not aware of Mrs. Hong's letter and the abuse that he suffered, growing up.

THE COURT: All right. I think I understand your recommendation.

Does your client wish to be heard?

MR. FRUSH: Just briefly, Your Honor. Thank you for your patience.

You want to come up here, Mr. Hong.

MR. HONG: Your Honor, I'd like to take a moment to -- I'm really sorry. And I'm really sorry to Mr. Nordstrom. I'm sorry.

And I'm not saying -- even what Mr. Frush said about my mother, I don't want to hide behind that and ask you for leniency. But what I do want to state in the court, before you sentence me, Your Honor, is that this whole thing, I don't undermine what Mr. Arnold said. It's right. I misrepresented myself. And I just thought, in my misguided thinking, that if I could succeed, everybody would be benefited.

And I really thought, at the time when meeting my wife, I could use her credentials, or her pedigree, to achieve something that I've been longing for my lifetime. And lo and behold, seven years later, I never thought I'd be coming here, not just me, but even getting my wife sentenced in front of your court.

So first and foremost, I'd ask forgiveness to the people that showed up. And I ask you, whatever that you're going to sentence my wife, if you could just give it to me. Because, yes, what she did is wrong, but she really did this under my coercion. And it's not a coercion -- I'm not saying I stuck a

gun to her head, but I really think her crime was committed out of love for me. I just really ask leniency for her. And just like what Mr. Venti said, through my carelessness and this crime, I created another three more victims, which are three of my children, that are all under the age of six.

So, please, Your Honor, when you see Grace later on, have compassion in your heart for her.

That's all, Your Honor. Thank you.

THE COURT: All right. Please remain standing, Mr. Hong. The Court is going to sentence you now.

The Court spent quite a bit of time, earlier today, calculating the guidelines. But when we get all through, there's a statute, 18 U.S.C. Section 3553(a), which has factors which I need to consider in determining what the appropriate sentence is, and the nature and circumstances of the offense, the history and characteristics of the defendant, the need to promote law, the need to have a just punishment, and to avoid unwarranted disparity, and to protect the public.

Obviously, this scheme that you've pled guilty to was a serious, complex fraud. It went over seven years. It had 57 victims, if we count the husbands and the wives. And they're, obviously, all victims.

Your offense targeted and involved religious victims. You used God as a way to gain their trust. You made statements like, "God gave us knowledge," in your presentation in August

of 2016. You -- I didn't give you a religious adjustment, but clearly, it was a close call.

You know, you took -- I want to talk about the victims and see some of the quotes that I've read. Victims P.N. and J.N., "As a result of Hong's crimes, we no longer have money left. Our retirement funds are gone. We're trying to rebuild assets, and we're working," you know, at -- one is 79 years old. Victims C.S. and A.S., "We lost all our life savings for 17 years of working." Victim K.Y., "I lost $130,000, which represented nearly all of my retirement." Victim M.G., "I retired after 37 years of public service as a firefighter. I lost $100,000." Victims C.E. and E.E., "Represented our entire life savings." They both know that they had three small children, and the money was planned for a down payment of the house. "We don't have it anymore."

There were some large investors who gave you money which -- and they lost as well, obviously. But you have emotionally and spiritually damaged these victims, and many of them will never recover from your activities. You made certain false statements to the government in connection with -- and you pled guilty to that crime as well. I think, as one of the speakers today said, the trauma was felt not just financially, but emotionally and spiritually as well.

I've looked at all of the sentences in all of the cases that have been cited by both the government and your lawyer,

trying to determine what is an appropriate sentence, because the statute requires me to find a sentence that's enough, but not more than necessary; one that requires an appropriate review of other sentences so that there's not an unwarranted disparity. And, obviously, the government is asking for much more time than Mr. Berg received, and that's not going to happen. But I think there is a couple of things that are appropriate. Grace's motto and your statement was, "You reap what you sow." You reap what you sow. You've sowed a lot of misery to a lot of investors who lost a lot of money.

The other thing that you said at your sentencing before Judge Robart was, "I'll try and do my best to pay off my debt, and you'll never see me here again, because I learned my lesson, being incarcerated. I learned my lesson." I don't think you learned your lesson. You clearly did not learn anything from the fact that you were convicted and sentenced to prison before Judge Robart. You got -- in 2008, you were sentenced to serve 33 months because you defrauded investors out of $800,000. Thirty-three months, $800,000. You didn't learn anything from that penalty.

And the thing I didn't mention, which is, I think, a really aggravating factor, as far as I'm concerned, is that within nine months of the time you got out of prison, and while you were on supervised release, while you were ordered to do mandatory drug testing, you were ordered not to violate any

laws, you started this scheme to defraud people out of their life savings, in many instances.

You know, I think that -- I've been doing this a long time. I think you're one of those con men who will never, ever be able to stop conning people. I mean, there's evidence in here that you tried to con -- I guess you did con -- one of the inmates at Sea-Tac, where you were in custody, prior, in Judge Robart's case. And you conned him out of money. I mean, that's impressive when you can con another con.

That's a long way of my saying that I believe a sentence of 15 years is necessary, but something longer than that is not necessary. I'm going to, as to Counts 1, 21, and 23, impose a sentence of 180 months, followed by three years of supervised release. I will not impose a fine, because you don't have any money to pay it. I will order restitution.

I believe -- is this an agreed amount, Counsel?

MR. ARNOLD: It is, Your Honor.

THE COURT: Do you have a revised number?

MR. ARNOLD: We do have a revised number. I'll read that right now for the Court.

THE COURT: Thank you.

MR. ARNOLD: And I've reflected it in Appendix A and otherwise in the judgment. It's $12,726,352.67.

THE COURT: All right. I'll impose -- and have you got an agreed list of the victims and the repayment amounts?

MR. ARNOLD: I have the --
THE COURT: Does the judgment have that list?
MR. ARNOLD: It does. It has it listed by initials. And we've prepared full names and addresses to give to the clerk's office after today's hearing.
THE COURT: Well, I'll impose restitution in that amount, $12,726,352.67. I'll assess the special assessment of $300.
To the extent you have not waived your rights to appeal in the plea agreement, any appeal must be filed within 14 days of the time I sign the judgment. And I'll ask counsel if he's got a judgment to present.
MR. ARNOLD: Your Honor, we're showing it to Mr. Frush.
MR. FRUSH: Two matters, Your Honor.
Would the Court recommend incarceration at either Lompoc or Terminal Island?
And, also, we'd ask -- the matters relating to where the three small children are going to go are still very much in flux, because Lawrence's mother can't take them, and there's difficulties in trying to get them placed in Korea. We'd ask that no designation by BOP occur until after six weeks. Some of the things in Korea will be dependent upon what the Court does, particularly with Ms. Hong. So we'd ask for the delay in designation of six weeks, Your Honor, as well as the

recommendation of either Lompoc or TI.

THE COURT: Well, I'll make the recommendation on placement. I'm not going to tell the Bureau when they designate, or when they move the defendant.

MR. FRUSH: Yes, Your Honor.

THE COURT: I've got a motion for entry of a preliminary order of forfeiture. It was filed, Docket Number 108.

Is there any objection to the Court signing that preliminary order?

MR. FRUSH: No, Your Honor.

I'm assuming, Your Honor, there's credit for time served?

THE COURT: Well, clearly, he's been in custody, and he'll get credit from the Bureau of Prisons for time served.

MR. FRUSH: I've reviewed the judgment, Your Honor. It seems to be consistent with the Court's judgment.

MR. ARNOLD: May I approach, Your Honor?

THE COURT: Yes. Thank you, Mr. Frush.

I've signed the preliminary order of forfeiture that was previously submitted. It will be filed.

I've signed the judgment. It will be filed.

Anything further to come before the Court in this matter?

MR. ARNOLD: No, Your Honor. Thank you.

MR. FRUSH: No, Your Honor. Thank you.

THE COURT: We're going to be in recess until 2:00,

and then we'll take up the sentencing with Ms. Hong.

(Recess)

THE COURT: All right. Let's proceed with the sentencing of Ms. Hong. The government may proceed.

MR. ARNOLD: Thank you, Your Honor. And Mr. Masada had to run downstairs and grab one thing that I forgot, but I can get started. I apologize to the Court for that.

Your Honor, we've had the opportunity this morning, and I know the Court has read a lot of material, and a lot of this the Court actually addressed during the course of the evaluation and analysis related to minor role. But, again, the 3553(a) factors direct us to consider the factors that are on the screen, and we're going to go through them now.

We'll start with the seriousness of the offense. And we talked about this with respect to Mr. Hong, but it's important to note, as Your Honor noted this morning, that Ms. Hong was an active participant, also touting her Christian faith and preying upon other Christians in attempting to deprive them of money.

This is what victim C.A. said: "As a minister and missionary, I chose to invest with the Hongs because of their professed faith and their desire to help ministers. I invested all the money I had in hopes of growing it to the point of providing a ministry retreat center."

And, Your Honor, there's two parts of this video from that

Lancaster Prophetic Conference that I'd like to present with respect to Ms. Hong. And it's actually the beginning and the end. In the beginning, you'll see how she starts the hook. And she lies about her background, lies about the hedge fund. And then we'll come back to the end and what she does, once the hook is set.

(Video recording was played)

MR. ARNOLD: Your Honor, at the outset of this presentation, it wasn't Mr. Hong that was talking. It was this defendant, lying about her background at Deutsche Bank, about having $2.5 billion in management; talking about the journey that started with their company. That journey, Your Honor, had started six years before this.

This video is in August of 2016. The Hongs had been committing a massive fraud for six years at this point. They were millions of dollars in the hole, to the two biggest victims, to other victims, and they had no meaningful way to pay that money back. None. They didn't have real jobs. Mr. Hong didn't have a job.

And we'll come back to that video at the end. But what's important to note is, this isn't just a financial case. As we noted in this morning's presentation, the defendant was the one touting her religious beliefs, targeting other Christians. It was the defendant's Facebook page, not Mr. Hong's Facebook page, the defendant's Facebook page, that had the Pishon River

Foundation on it. And we'll talk about this, and you'll see pictures of this later. It was the defendant's Facebook page that was touting the high-flying lifestyle, not Mr. Hong's. This wasn't a case, despite what the defense asserts, of Mr. Hong making her buy things. This was a case driven by the defendant's greed. And the easiest way to separate people from money is to prey upon the faith and trust that you share with them.

And we talked about the victim impact in the first one, and, in fact, Your Honor kind of stole my thunder with respect to the firefighter. But we'll read the whole thing now. "They both presented their lies to a large church congregation" -- that's the video -- "which included my wife and I. I am a retired 37-year fire department veteran. I lost $100,000 of my retirement savings. That money was going to be used to buy a home. That will not happen now." It was that video, that presentation, that that firefighter watched.

A.S. and C.S., I want to talk a little about who they are, before we get to it. The defendant, Grace Hong, was the individual that first met A.S. That's C.S.'s wife. And they met because they had little kids in common, and they started to play together. And Ms. Hong touted her own background to these folks, fraudulently. She also introduced them to her husband and the scheme. And C.S., based upon the advice that the Hongs gave them, and A.S., sold two houses, at the bottom of the

market, so they could fund an investment with the Hongs. They lost it all.

A.S. was the one that, when we interviewed her, in the U.S. Attorney's Office, broke down in tears about the impact this has had on her kids. This is what she wrote, and he wrote, in their victim impact statement. "At the beginning, when we found out about our case, we both could not sleep due to the stress of losing all of our life savings. We kept blaming each other for making mistakes in trusting the Hongs. We had multiple arguments about the money we lost and the credit card debt, due to the worry that we do not have the extra saving to pay off debt and worry about losing our monthly income." Your Honor, these are people that Grace Hong invited into this home. And she did it so that they could get their money and they could spend it on luxurious goods, plain and simple.

And, Your Honor, I know this is in our sentencing brief, and I'll try to get through it as quickly as I can. But one of the victims is here today. I think it's important to go through kind of his whole story, because it shows the callousness, the depravity, of the victim's [sic] conduct, when we're evaluating the serious nature of the offense. This was the impact statement: "As a result of the Hongs' crimes, we no longer have any money left to invest. Our retirement funds are completely gone. We are trying to rebuild our assets, and

Peter is working 70 hours per week in his mortgage business, and doing this at 79 years of age."

Your Honor, sometime in the spring of 2016, Peter invested $180,000 with the Hongs, in one of those SMAs that Mr. Frush was talking about this morning. But that presidential election did happen. The Hongs targeted Peter and his wife because of their religious affiliation, and that's why Peter and his wife trusted them. And they were up a little bit of money in October, not that that's relevant, because they were told a handful, and all the lies, to get their money.

But when the market tanked after that election, Peter asked the Hongs what was going on. And the account was down about $100,000. In less than a year, they had lost over half the value of their entire retirement savings. He's communicating, during this period, with the defendant and with Mr. Hong. They have a meeting on January 2. And they talk about it, attended by both Mr. and Mrs. Hong. And Mr. and Mrs. Hong fraudulently tell the -- tell Peter and his wife that, "Well, we can't really manage your money anymore because of SEC rules. So what we need you to do, and we'll give you this opportunity, is give us your $80,000, and we'll invest it with our money, and we'll make back that money we lost," because of circuit breakers and other lies explaining the trading.

So on January 4, the defendant wired one of the company

accounts $80,000 and got an investment contract for that $80,000. That same day, the defendants wired the $80,000 from the business account to Grace Hong's personal account. It had $581 in it at the time. $581.

The Hongs didn't want to take that money to invest, to make back Peter and his wife's hard-earned retirement funds. No. What did they do with the money? Let's look. Cash withdrawals of $6,000; a $16,000 payment to the Atlantis Hotel, in the Bahamas; $13,900 in payments to an American Express card, a platinum American Express card. That same day --

THE COURT: Is that an exhibit in -- I know it's in your brief. Is it an exhibit?

MR. ARNOLD: It is. I believe it's just cut and paste right into the -- the picture is cut and paste right into the brief, Your Honor.

THE COURT: And where is the exhibit?

MR. ARNOLD: I don't believe it's an exhibit, since we --

THE COURT: It's not an exhibit.

MR. ARNOLD: We put it directly into the brief, Your Honor, and we described that this was a snapshot of the bank statement of Mr. Hong -- or of Mrs. Hong. Instead of attaching the whole bank statement, we put in this. These are records that the defense has had for a long time. These are her own personal bank account statements. But over $30,000, in the

same day, of Peter and his wife's $80,000, that was left.

Now, Your Honor, there's more before that vacation to Atlantis. Because a few weeks -- not even a few weeks, nine days later, the defendant goes down to Beverly Hills. She uses that platinum American Express card and spends $1,100 at the Beverly Wilshire Four Seasons.

THE COURT: And once again, is this an exhibit? It's in your brief. I've seen it.

MR. ARNOLD: Yeah.

THE COURT: But it's not an exhibit that I've -- that there's been any testimony, or I haven't -- I haven't got it as an exhibit, do I?

MR. ARNOLD: No, Your Honor. I mean, we've cut-and-pasted some of the photographs in the documents directly into the brief. We didn't feel the need to duplicate it and put it as an exhibit. We apologize for that. There's been no objection from the other side that these aren't legitimate documents, that they've had access to them for a long time. We would ask that the Court, you know, look at them and rely upon them.

And what happened when she checked out of the Beverly Wilshire? She went to Rodeo Drive. Spent $6,100 of Peter and his wife's retirement money so she could buy a $2,000 jacket, a thousand-dollar pair of pants, and a long-sleeved, crew-neck shirt for $750. She also went to Dolce & Gabbana -- this is

out of her American Express platinum card, same day -- and spent another 3,600 bucks. That money was Peter and his wife's hard-earned retirement funds. That's as clear of an example as you will see about the seriousness of this offense. Peter has to go back to work, at 79 years old, because she wanted a $2,000 jacket and a thousand-dollar pair of pants.

And they went on that vacation, in late January, in the Bahamas, too, that $16,000 vacation, just for the hotel. Flew first class to it, and they had a good time. In fact, they never wanted to leave. Took the whole family, paid for with Peter and his wife's money.

And we showed these pictures earlier. We don't have to go through them again. But I do want to make a point about this Aston Martin. This Aston Martin is a $150,000 purchase. It's the one on the right; $150,000 car. We saw what happened in January to Peter Nordstrom's -- Peter's money. A few months later, Ms. Hong defrauded other folks out of more money so she could buy that Aston Martin, in April or May of 2017; and as we noted before, the fourth car for two people.

Your Honor, that example is a stark look into a little bit of the window of this massive fraud. But that's not all. The defendant also lied to the government, just like her husband. And she has not pled to making false statements to the government. But by their own acknowledgment, in her brief, she writes that she admits that she wrote checks designed to

conceal the reality, from the probation office, the reality that she and her husband were committing a massive fraud. Unfortunately, she doesn't admit that. She just says she did it because her husband asked her to.

She will admit she lied to the IRS, Your Honor, as you noted earlier. She lied to the Department of Justice when trying to collect restitution. Those two things are tied together. And I think it's important, because in an attempt to minimize her conduct, the defendant, apparently until today, is still trying to assert that she thought her husband was managing billions of dollars for wealthy Korean families in Korea. At least it persisted until the day of her arrest, when she was informed otherwise by the government. That's her claim.

But, Your Honor, it's simply not plausible. It's not plausible for a number of reasons. One, she didn't tell the IRS, "My husband manages billions of dollars overseas." She told them that he worked in import/export and was semi-retired. Didn't tell the Department of Justice that he managed billions of dollars overseas and had money to pay the restitution. No. She said, "We don't have any community income," basically verifying his lies that he was a stay-at-home dad, and all the money that they spend is based upon an inheritance, all lies that Grace used to help cover up the fraud. That statement -- let's just stay on this one. That statement is also directly

contradicted by a letter Mr. Hong submitted to this Court.

Now, whose lies are we going to believe? I don't know. But Mr. Hong said he told this defendant, in at least 2015, that he didn't manage any money. From 2012 on, they never reported any income from the United States or overseas. There's no FBARs reporting his assets overseas.

And, Your Honor, I'll covered this gym membership. If you've got millions of dollars for managing billions of dollars overseas, why are you lying to get out of a $600 payment?

And what's important, Your Honor, is, to think, the defendant wants it both ways. She wants to be a minimal participant that was snowed over by her husband, who was really operating the fraud here in the United States, a fraud which involved 57 victims, tons of accounts, communications. But he had all the time in the world to do that, even though he was managing billions of dollars for someone overseas. You can't have it both ways. The reality is, there was no money overseas, and she knew it. And everything was here, and everything here was fraud.

So the defendant is also trying to minimize her conduct by deflecting responsibility by playing on stereotypes. And the Court touched on this, and I don't have to spend a lot of time. But the thought that she was some unwitting participant and duped by her husband, in 2018, is laughable. A woman with this pedigree, with this upbringing, is directly contradicted by the

facts, as Your Honor noted. She's the one placing the trades with MB Trading. She's meeting with investors. She's meeting with the undercover. She's admitting she wrote the prospectus. That's not someone under the thumb of her husband. That's a full-blown co-conspirator.

Your Honor, the victim -- in her memo, it goes as far as the defendant's trying to blame other victims. She blames Allen Choi. She blames Dr. Ahn. She blames Alex Cheng. That's not remorse. That's not acceptance of responsibility, saying these people did other bad things. She needs to acknowledge what she did was wrong, and she's so far not been able to do that. And like I said with respect to this morning, the depravity of this fraud shows enough about her history and characteristics.

But if you discredit the stereotype argument which they make, there's nothing in her background that otherwise provides mitigation. And that's unlike a significant number of other defendants that come before this Court. She comes from a loving, stable family that provided a good lifestyle to her. She lived in Korea and, predominantly, in the United States, then back to Korea. She has not one but two college degrees, including an MBA. She attended Juilliard, one of the most prestigious art schools in the world. This is not somebody that had a rough upbringing that justifies, in any way, this crime. No. It's about greed. And the greed is shown, Your

Honor, by her lack of remorse since the date of her arrest until today.

The defendant's not looked for a job for 16 months. And, yes, she has three small kids. But her mother-in-law was there, and for the longest time, as noted in the pretrial services release report, a live-in nanny was living with them, for free. She didn't bother to look for a job to pay back victims.

All that high-end merchandise that we discussed in our brief, the bags, the shoes, clothes, those $2,000 jackets and thousand-dollar pants, she's made no effort to sell them. They're subject to an asset freeze, so she still has them, or she's violated a court order. That was her decision. She could have worked with the CFTC, asked Judge Robart, now Judge Pechman, to lift the freeze, to be able to sell those goods, so she could pay back Peter and his wife some of that money that she used to buy that stuff. What does she do? She probably used it.

I need to talk about the kids. This is an unfortunate circumstance. It is not every day that the Court has to sentence parents, two parents, with three kids under the age of six. There will be an impact on the kids, to be separated from both of their parents. But, Your Honor, the defendant didn't consider that fact during the seven years that she committed this crime. This wasn't a one-off bad mistake, one tiny

misjudgment that led to a serious offense. No. She made a decision, day after day, month after month, and year after year, to engage in this fraudulent conduct.

We're not trying to minimize this in any way. She has a family, stable life. She has a mom. She has a dad. She has a sister in Korea. And will it be a burden on them, potentially, to look after and care for these kids, whether in Korea or here, in the United States? Yes, it will be a burden on them, something I'm sure they didn't foresee and aren't particularly happy about. But these kids are not going to go to the State. They're not going to foster care. They're going to be taken care of.

Finally, Your Honor, we put this in the brief. Consider the impact on the victims' kids; that didn't have a decision in this; that got duped, their parents, out of their college savings. And it's not just monetary to those kids. Your Honor, you've seen the victim impact statements. We've covered some of them. There's arguments between husbands and wives and partners when this type of stuff happens. That happens in front of kids. There's going to be emotional impact on those kids because of the Hongs' fraud.

Your Honor, we talk about deterrence. And we didn't cover deterrence with Mr. Hong's, because we didn't feel like any sentence would really deter him. But here, a strong sentence is needed. Because she doesn't have a prior. But a strong

sentence is needed to deter others, other individuals, particularly those with significant education and privileged upbringings who would choose to commit massive frauds to fund a lifestyle, instead of working hard.

THE COURT: I know in your -- perhaps it was in the brief. There was various other sentences that you thought were similar --

MR. ARNOLD: Yes, Your Honor. And I'm going to quickly just address the unwarranted sentencing disparities, and then I'll be done, play that last video.

You know, Your Honor, the defense says the Renfrow case that was in front of Your Honor is on all four squares. Candidly, the only similarity between the two is that they're married to fraudsters.

THE COURT: Well, they're both women.

MR. ARNOLD: There's that too. But Renfrow is distinguishable for a number of reasons. One, she pled guilty to only aiding and abetting Spangler's investment adviser fraud. She was far less culpable than Spangler, while the defendant here was an active and integral participant with the defendant, from jump street, to use the words from this morning.

Renfrow only pled guilty to a portion of the Spangler fraud, and aiding and abetting, not the whole thing. Her loss amount was only $4 million, as opposed to Spangler's much

larger loss.

She fully accepted responsibility, Your Honor. I think I read that it was something like a seven-page statement of facts, in our sentencing brief to the Court, in Renfrow. Grace Hong admitted to nine months of misconduct. In the face of all of the evidence that we've presented to the Court about her early and often involvement, at the time she pled guilty, she was willing to admit to nine months. Nine months.

There's not a religious element to that fraud. The core of this case is the religious fraud, the core of this case. The harm -- that emotional harm, that spiritual harm, that the Court identified this morning, it flows from not only Lawrence Hong's fraud, but Grace Hong's fraud. Because Grace Hong, at least for some of the victims, was the one that recruited them into this scheme.

We also compared it to Yoo, Your Honor, but not to go over that again, in detail, you know, the sentence that we think is close, that there's a number of disparities; smaller fraud, no religious component, self-reported, no criminal history, like this defendant.

But we want to also address Rhonda Breard. Rhonda Breard, in 2010, was charged. She ended up getting an 80-month sentence, from Judge Pechman. That case had an 11-million-dollar loss, so it was close to this. She was actually an investment adviser. The difference is she

immediately confessed when confronted; fully cooperated; provided records and information to unwind the fraud; turned over assets, including $250,000 and 27 vehicles, for victim restitution. This defendant didn't bother to get a job.

Your Honor, we showed -- at the beginning of the hearing, of my presentation, we showed you the opening pitch from Ms. Hong. Your Honor referenced this in discussion of the minor role, but it's important to see it. Because this is the close. These are the feigned tears that's going to close the deal. It's going to cause those victims to believe her, to wire her money, so she can buy what she bought with Peter's money.

(Video recording was played)

MR. ARNOLD: That firefighter saw that presentation. That's --

THE COURT: Refresh my memory. There were maybe -- how many people and how much was invested from those church -- from those people attending that conference?

MR. ARNOLD: Attending on the video, I don't know, directly. I mean, it would be -- we know at least some of the individuals did, after they saw it. It would be the investors -- and I could go look it up -- that usually are not local. So there was some in -- one in Tennessee. There was one in a number of other parts. But it was not an insignificant amount of money.

THE COURT: Well, I had -- my notes indicate that after that conference and from that group, individually, they put up about $3 million. Does that --

MR. ARNOLD: That would sound about right.

THE COURT: -- sound about right?

Now, they were in these separate managed accounts?

MR. ARNOLD: Yes, Your Honor. And I'm going to address a little bit of what Mr. Frush said, about those arguments, in making some grand point about how their money was returned.

Their money was returned because we stopped the fraud. They got the money left, when we stopped it and we called them and said, "Hey, you need to get your money out of this. We've just arrested the Hongs." Or some people left in February, because we had a confidential source come to us and agree to cooperate with us, who was representing these people, and we authorized him to tell those folks, including the church. That's why the church got out in February, because we told them, "Go tell them, so they won't get hurt anymore."

But to give some credit that the defendants gave this money back, it's because we caught the fraud. Three of those people in the separately managed accounts had exactly what happened to Peter. Peter was one. There was two others, including the Ventis, when the defendants said, "Close your account. Give me the money," so that they could spend it on

themselves.

Your Honor, for all these reasons, we would request that the Court sentence the defendant to a term of imprisonment of ten years. It is a below-guideline sentence, Your Honor. I think we believe that recognizes the different levels of culpability, at least initially, in that it's unlikely she would have, you know, started this massive fraud on her own. Her husband has a significant history of fraud. But it also takes into consideration her lengthy and intricate involvement in it and, really, the lack of any mitigation in her background.

Thank you, Your Honor.

THE COURT: All right. Let's hear from the defense.

MS. MALEY: Good afternoon, Your Honor. I'm Michelle Maley, on behalf of Grace Hong. May it please the Court, Counsel, Ms. Hong.

I want to begin by addressing something that the government has raised, and that Your Honor has expressed some concern about, and that is Grace's acceptance of responsibility. I want to emphasize what Grace said in her letter to the Court. Over the past year, Grace has come to grips with the gravity of the misrepresentations she made and the actions that she failed to take that resulted in devastating losses to the victims, some of whom used to be Grace's friends.

As has been made clear in our interactions with Grace, and in the letter she wrote to this Court, Grace is overwhelmed with regret for the harm that she caused. Grace remains very worried about how her actions will impact her children's lives. And after reading the victim impact statements, Grace has further realized how the victims' own children will suffer from Grace's actions, thus further increasing her guilt.

Grace's willingness to accept responsibility for her actions, and her desire to atone for those actions, stems from a core part of Grace on which much of this case has focused, her faith. Regrettably, the circumstances of the case have caused the government to call into question the authenticity of Grace's faith.

But Grace is as true a believer as they come. When Grace speaks of her faith, that is just who she is. And it was Lawrence's ostensible love for God that drew Grace to him in the first place. In Grace's eyes, the vows that she made to Lawrence nearly a decade ago were also promises to God. To honor and love her husband, no matter the circumstances, this was Grace's covenant. And Grace did her best to uphold that covenant, from the very beginning of the marriage. But the past year has made clear to Grace that her commitment to Lawrence ultimately has undermined, and not advanced, her religious beliefs.

The government has attacked the authenticity of Grace's

faith and created a narrative that conjures up images of Grace as the sophisticated, westernized woman, blinded by greed. That imagery couldn't be further from the truth. It is true that Grace is intelligent, articulate, credible, and warm. And I think the Lancaster Prophetic Conference video that we've seen today bears this out. But these virtues are entirely consistent with the way that Grace was brought up, as a typical Korean girl who spent her formative years learning and growing in Korea, in a typical Korean household, with traditional Korean parents.

Contrary to the way that Grace was actually raised, the government makes out Grace to be a savvy, Americanized businesswoman. But Grace only lived in the United States when she was very young and again when she came back to the Eastman School to study music. And when Grace was young in the United States, she lived in Korean communities and socialized with Korean families. And when she came back for the Eastman School, Grace was completely immersed in the world of music, and she spent almost all of her waking hours working and learning. She wasn't out socializing or partying. Grace was focused.

While growing up, Grace had goals and a family whose approval and acceptance she desperately sought out. That desire weighed heavily on Grace when she decided to trade her career in music for one in business. Her parents were

skeptical, and that skepticism did not relent, even when Grace was accepted to business school in Korea. The school was Seoul National University, and it was the school's pilot MBA program.

And I think it's really important to take the program for exactly what it was. Grace's class was the first ever to graduate from the MBA program. It was not a well-established school. And it's true that the program did give Grace a means to further pursue her interest in business --

THE COURT: Just a moment. She did not graduate from that program; is that right?

MS. MALEY: Your Honor, she actually did graduate from the MBA program in Korea. A separate experience that you might be recalling is when Grace attended part of a certificate program at Columbia, which she did not complete because she fell very ill. So the MBA program Grace did complete, although, as I've said, that program was not well-established. It was not renowned.

And by the time that Grace graduated, the reality is that she was still very green. She was so green, in fact, that she was ultimately laid off of the only true corporate job that she was able to secure after graduation. And that layoff had a horrible effect on Grace.

THE COURT: What was that corporate job?

MS. MALEY: She was a junior trader at a company called ITG. And the first part of the program she actually

spent just following -- shadowing people who were traders.

And so after that layoff happened, Grace really struggled. She was embarrassed. She felt that she had failed herself, and she felt that she had failed to prove to her parents that she was capable. On top of that, Grace, at the time, was in her thirties, unmarried, living with her parents, and financially dependent on them.

It was during this particularly dark time in Grace's life that she met Lawrence. Much like Lawrence did with many investors in this case, he seized on Grace's vulnerability, boosted her confidence, and promised to make her dreams come true. At the same time, Lawrence talked to Grace about his immense professional and financial success, he talked to her about God, and he showered her with gifts. Grace was hooked. But soon Grace learned that Lawrence's love and affection came with a price.

When the two wed, Lawrence instructed Grace to talk, dress, and act the part of a high-society wife. Lawrence purchased clothes for Grace to wear, bags for Grace to carry, and cars for Grace to drive. And some of the documents that the government has shown you today bears this out. There were large expenses, but I think it's also important to note that those expenses reflect items bought for Lawrence himself, and often at Lawrence's direction. All of these purchases, of course, were in Grace's name, because Lawrence was a convicted

felon, under close government scrutiny.

Not knowing the gravity or implications of Lawrence's prior offense, and already --

THE COURT: Just a moment. She learned about the prior offense, did she not, either shortly before or after they were married?

MS. MALEY: Yes, Your Honor.

THE COURT: All right. So what did she learn, then?

MS. MALEY: That's a very good question, and I appreciate it.

Grace did know that there was a prior offense, but she did not know the exact scope of that offense. Grace actually found out when she was going through the immigration process and moving to the United States.

THE COURT: And when did that occur?

MS. MALEY: So there is some confusion on that point. And it actually occurred after Grace and Lawrence were legally wed, at a courthouse, but before their marriage ceremony.

THE COURT: So we're talking about 2011?

MS. MALEY: It would have been in 2010.

THE COURT: 2010. So by 2010, she knows about the conviction. She knows about the details of the conviction from the immigration lawyer. Is that right?

MS. MALEY: No, Your Honor. She did not know the details of the conviction. She knew that the conviction

existed. She knew that he was a felon.

THE COURT: And knew that he had embezzled money from other people.

MS. MALEY: She knew that those were the allegations in the case, and she actually confronted Lawrence with those details.

THE COURT: What did he tell her?

MS. MALEY: He told Grace that he messed up, but greatly minimized his role in that prior offense, and ultimately pegged his conviction to a person who ratted him out, that currently has, I think, over 800 lawsuits pending, basically a very litigious person. And I think -- we get into the details of this in our memorandum. But, essentially, when Lawrence raised the flag, Lawrence -- when Grace raised the flag, Lawrence did everything he could to explain it away and give her comfort. So in her mind, Grace didn't know the details, and she made the decision, in a time in her life when she was already committed to this person, that she would give him another chance.

So back to Grace and Lawrence and their involvement in the offense at issue. The government's harsh recommendation assumes that both Lawrence and Grace knew three things: That the Hongs didn't have money; that the Hongs were stealing money from their investors; and that the investors would never be repaid.

But Grace knew none of these things. In fact, everything Grace did and bought, in relation to the Hongs' fraud and almost always at Lawrence's direction, was consistent with the belief that Grace had all along: That the Hongs were rich; that God had provided for them; and that God wanted them to help other people. Grace helped Lawrence lure in investors based on this belief. She spent investors' funds based on this belief. She stood by Lawrence's side based on this belief. And she involved her own parents based on this belief.

It has now become clear to Grace --

THE COURT: Well, she involved those parents after she knew of this prior conviction for embezzlement.

MS. MALEY: It's true that she knew about the conviction. But, again, Your Honor, she did not understand the gravity of the conviction. She did not understand the implications of the conviction.

THE COURT: It could easily have been determined and found out; right?

MS. MALEY: I think maybe there's -- I think maybe if you or I were in that situation, maybe we would have handled it differently and dug in deeper. But that is hard, to put ourself in Grace's shoes, because she's a completely different person, who's raised --

THE COURT: Well, help me understand, because your sentencing memos have made it very confusing.

When did she fully appreciate the nature and extent of the scheme that was going on? When?

MS. MALEY: Your Honor, could I get some clarification on what you mean by "scheme"? Do you mean --

THE COURT: Well, I mean, she's pled guilty.

MS. MALEY: I think --

THE COURT: When did she understand that they were stealing money from people, and they were taking the money and not handling it properly?

MS. MALEY: To be perfectly honest, Your Honor, I genuinely don't think that Grace knew the extent of this fraud until the day that she was arrested. I don't think that Grace knew that Lawrence was not managing these Korean accounts offshore until after the day she was arrested.

THE COURT: Well, the presentence report, at Paragraph 12, for this defendant, says that between 2010 and 2017, approximately 57 individuals invested with the Hongs in reliance on the fraudulent representations, including Grace's representations about the degrees that she held, such as a law degree, and that they frequented different churches and claimed religious responsibility. And as a result, victims lost a total of $12 million. Now, that's between 2010 and 2017. Now, she's only pled to a very short period, 2016, I think, in May or so, to 2017.

So I'm trying to understand. When did she, according to

the defendant, understand the nature and extent of the scheme that was going on?

MS. MALEY: That's a completely fair question, Your Honor.

THE COURT: And what's the answer?

MS. MALEY: Well, this is something that Tom has -- Mr. Hillier has prepared --

THE COURT: But you're --

MS. MALEY: Sure.

THE COURT: -- you're making the argument.

MS. MALEY: Yes.

THE COURT: When did she understand?

MS. MALEY: Totally fair question.

I think that Grace's knowledge is -- Grace's knowledge and when she knew certain things can't be pegged to one certain date. It's obvious from the record that Grace did know certain things from the beginning. She did know what her credentials are and -- what her credentials were and what they were not. That's one example.

THE COURT: Well, she told investors she held a law degree from Columbia University. Is that true?

MS. MALEY: That is not true.

THE COURT: Well, that's ambiguous.

Did she make those representations to investors?

MS. MALEY: She certainly made misrepresentations to

investors.

THE COURT: Did she make that representation, "I have a law degree"?

MS. MALEY: To be perfectly honest, I'm not sure about that specific one, but Grace, no doubt, made misrepresentations to investors.

THE COURT: Well, the presentence report, which you have adopted and approved, and not objected to, says that very thing; that they represented -- she represented that she had a law degree.

MS. MALEY: My knowledge is that that representation does show up on a document that came from Grace, so --

THE COURT: And that document is from 2010 or 2011; is it not?

MS. MALEY: I'm not positive, Your Honor. But I do know, apart from that specific misrepresentation, there were plenty more -- others. It's not disputed that Grace misrepresented her credentials. She did say that she had credentials that she did not, in fact, have.

THE COURT: Did she ever work for the Deutsche Bank?

MS. MALEY: She did, but it was an internship.

THE COURT: She was never an employee.

MS. MALEY: She was a temporary intern.

THE COURT: Was she a paid employee?

MS. MALEY: That, I don't know, Your Honor. I can

certainly look into that, if you would like.

THE COURT: Well, this would be the time to tell me, if you know.

MS. MALEY: I do not know.

THE COURT: Thank you. Go ahead.

MS. MALEY: Sure.

So I think this all comes down to the nut of Grace's crime. And those were her misrepresentations, like you and I have been discussing. And all of those misrepresentations, and her willingness to make them, come down to Grace's belief in her husband. Grace believed in Lawrence, just like all of those people who invested in him. And that belief, coupled with Grace's deep-seated desire to serve and obey her husband, provided Lawrence with the perfect foil.

Grace didn't go deep enough to uncover the truth about Lawrence's past, his plans, or his knowledge, and she did actively lie to investors for the purpose of bolstering their confidence and getting them to invest. For all of this, Grace will have to be punished. When sentencing Grace, though, it's important to remember that her beliefs, cultivated by her faith, her upbringing, and her good heart, were genuine. Those beliefs do not exculpate Grace, but they do allow for mercy when it comes to determining Grace's sentence.

And if there are no further questions for me, Your Honor, Mr. Hillier --

THE COURT: Well, the government has discussed, in their arguments and in their brief, this meeting in early January of 2017 with -- referred to as "Peter," "P.N.," and representations that were made and the wiring of $80,000.

Is that something you're going to talk about, or is that Mr. Hillier's?

MS. MALEY: I'm happy to address any questions you might have about that.

THE COURT: There are no questions. But all of that occurred; is that right?

MS. MALEY: That did occur.

THE COURT: And one of -- the money was transferred on, I believe -- within a few days, the money was spent almost immediately, was it, for an Atlantis resort in the Bahamas, and a cash withdrawal of $6,000, and payments to Grace Hong's platinum American Express? That all happened; did it?

MS. MALEY: Yes, Your Honor.

THE COURT: And so when the government showed me, on the screen, these excerpts from the 2017 bank account statement, showing where this money came in and where it went out immediately, that's all true; right?

MS. MALEY: Yes, Your Honor. The transactions did happen as you --

THE COURT: And the trip to the Bahamas in late January, on the Nordstroms' money, that all happened as well?

MS. MALEY: Yes, Your Honor, that's true.
THE COURT: And Grace Hong traveled to Beverly Hills to visit girlfriends and visit the Four Seasons, at a price of $1,158 per night. That happened; did it?
MS. MALEY: That did happen, Your Honor.
THE COURT: And the statement that's in the government's brief, at Page 13, the Beverly Wilshire Hotel bill for $1,158, that's a correct statement?
MS. MALEY: That's a correct statement, Your Honor.
THE COURT: And the next day, she spent $6,000 -- more than $6,000 at Ralph Lauren, buying clothes? That all happened?
MS. MALEY: It's true that it happened, but I would disagree with you as to whether that's Grace directing and making those purchases, Your Honor.
THE COURT: Well, her husband wasn't present; was he?
MS. MALEY: He was present, Your Honor. And I think an important thing -- an important consideration, when looking at all of these transactions, is that, as hard as it might be for you to believe, Your Honor, Grace truly believed that that was her money. And --
THE COURT: How could she possibly believe that was her money?
MS. MALEY: I appreciate the question, and this has been -- this particular transaction has been Exhibit A to the

government's case from day one. But it was Grace's understanding that when that money came in, an equal amount would be credited in P.N.'s favor, in a separate account, that would be traded on his behalf. Those were the representations that were made to Grace, from her husband.

THE COURT: But what I'm really hearing you say is, she's not taking responsibility for the -- defrauding the Nordstroms out of that money.

MS. MALEY: I think that there's no dispute that she actually did make those transactions, but I still think it's important to keep in mind her knowledge and her beliefs. And honest to goodness, her beliefs were that that was her money.

THE COURT: All right. I understand what you're saying. I just don't accept it. Thank you.

MS. MALEY: Thank you.

MR. HILLIER: Good afternoon, Your Honor. May it please the Court, Counsel, Ms. Hong.

Your Honor, first of all, thank you for allowing Ms. Maley and I to split argument. I can't tell you how much I've relied on her in this case, and I think you can sense that through the excellence of the presentation she made to you. And I'm guessing that this will be a day that she remembers for the rest of her career.

Your Honor, I too have read the victims' statements, along with Grace, and was moved by them, and so through that reading,

possibly feel what you feel. But I am terribly sorry that you're here today, under these circumstances.

Your Honor, I would like to -- we divided the argument this way so that I could sort of respond to some of the arguments of the government and some of the questions that you have. And I'd like to begin with a couple of matters that have been emphasized by the government concerning Grace's conduct since her arrest, since she's been on pretrial release, arguing to Your Honor she hasn't taken -- worked a day, and she hasn't tried to cooperate with the CTFC -- or CFTC, in getting assets sold to pay down a bit her debt, and have gone at length about the fact that -- their belief, which seems to be somewhat shared by yourself, that Grace hasn't really 'fessed up here, she doesn't really accept responsibility. And I want to address those points first.

First of all, Your Honor, before I do, I'd like to introduce you to Minja Choi, Grace's mom, who's here from Seoul. And with her is Mary Roper. Mary Roper is a friend of Grace and her mother's, who is actually -- she's a businesswoman and a business owner, here in the Seattle area, who has offered a job to Grace, which I think is relevant to the government's claim that she hasn't tried to find work or hasn't worked a day. The job offer was made in August, for an administrative assistant position, to begin a little later in the year. We talked about it, Grace and I and Michelle, and it

just didn't make any sense, given that this sentencing was coming up so soon, and that the results of the sentencing would potentially impact -- will dramatically alter her ability to accept that employment. But she was looking for work throughout all of this.

And in that regard, Your Honor, I would ask -- I would ask that you bear in mind what happened when Grace was released, way last June. She's an immigrant. And she was thrown in jail, arrested at her home, in front of her children, released in a home that's rented by Mr. Venti, going to be evicted pretty quickly. Her husband's in jail. At that point in time, she's beginning to realize that her whole life, apparently, was built around a sham. And she was crushed and confused. And it's just sort of difficult to put into words how unready she would be to go out and try to find a job at McDonald's or otherwise.

Bear in mind too, if you would, Your Honor, that she was under tight restrictions by the Court, in terms of what she could do while she was out, including travel restrictions, of course. She was on an electronic monitoring device. She had job restrictions which required that she could not take any job that required that she handle money, unless approved by the probation department. In that regard, early on, Grace talked to the pretrial service people about teaching clarinet to children, because she could generate some money that way pretty

easily, and do it at home and avoid some of these restrictions. But pretrial services told her she couldn't do that, because it was a cash sort of thing, and they wanted verifications and pay stubs and that sort of thing, which is a long-standing policy in that section, and a good one too.

Also, Your Honor, she was at home. Her mother-in-law -- she was at her own home for a little while, but primarily at her mother-in-law's home, with three children. And the government knows what -- she had a nanny. She could have gone out and pounded the pavement a little bit. But she really couldn't. The nanny was there for not long, because the relationship with the mother-in-law was horrible, and she left within a month or two. So Grace was at home, with three little children, all alone, with her mother-in-law. All of these circumstances made it very difficult for her to accomplish what the government would have had her do. But she was trying. She tried to do clarinet lessons and said she tried -- and she did ultimately land a job with Mrs. Roper, but that can't materialize either.

As for CFTC, the government argues she could easily have cooperated with them. I beg to differ. I've never been in a civil case in my life, except I made a limited appearance in that case, and really made it limited. Because 30 days after Grace was arrested, unbeknownst to me, there was a clock running on this civil suit that had been filed, and she got a

notice in the mail that she was in default, because she didn't answer the complaint. And I felt -- that's kind of on me. Good grief. I didn't know anything about these sorts of rules. So I made a limited appearance and got the dismissal lifted, the default lifted, and stay put in place.

Relationships -- I tried to talk with the CFTC about putting things on hold. Those conversations were very difficult, and they were not pleasant. But there was no reason to think that they would be cooperative in any way. In fact, 19 days after Grace pled guilty, they moved to remove the stay so that they could start going about their work. And subpoenas were flying, and deposition notices. And, once again, I stuck my head into it. And, thankfully, Judge Pechman intervened and put the stay back in order. But --

THE COURT: Well, the government makes -- raises an issue of whether or not even after she was arrested, she violated the asset freeze order, in the Judge Robart case, and contacted a yacht broker and attempted to get a $2,000 refund on this yacht.

MR. HILLIER: Right.

THE COURT: Did that happen?

MR. HILLIER: That came up, and that's another point on why we didn't get any cooperation with that.

THE COURT: Well, there was an asset freeze in the civil case; is that right?

MR. HILLIER: That's correct.

THE COURT: All right. And did she, on or about June 12 of 2017, after her arrest, after the freeze, contact the yacht broker and attempt to direct -- well, direct a $2,000 check to be sent?

MR. HILLIER: She called the people that had that deposit, told them to send it to her mother-in-law's account, because hers was no longer operative, and she had to get another account set up and get that all approved through PTS.

THE COURT: And that was a violation of the asset freeze order.

MR. HILLIER: I'm not sure that it was. She was just doing what she had to do. But in any event, there was no violation alleged, in terms of her conditions of release or anything of that sort. There was -- the dates all bear out that this happened in the flash of the moment, before she had her own account set up. I don't think there was a violation. Nothing happened, other than she had that money sent to her mother-in-law's account, because she didn't have an account of her own. So it's like, in my view, a no harm, no foul sort of situation.

THE COURT: Well, the money went to the mother-in-law? Is that the idea? Rather than the victims?

MR. HILLIER: Your Honor, I don't know what the mother-in-law did with the money. But if that's -- all I can

say is, if that's a violation, then CFTC will talk about it at some future time, I suppose, but that's how that happened. It was done in the heat of the moment, under horribly difficult circumstances, and there was no follow-up by pretrial services or the government to -- you know, to contest what did happen. So in any event, her -- Grace was not talking with them, on my advice, given my view of what was happening.

But really, more importantly, Your Honor, is the comments made about how she, right up until the time she pled guilty, just wasn't really accepting any full responsibility for what happened. I want to read a little bit about what we've put in our sentencing memo as to where we are today, and then go back to where we were at the time we were making an agreement with the government. We stated, in terms of defining Grace's role, she made false claims throughout the duration of the Hongs' investment activity. She lied to Dr. Ahn, early on -- it was actually 2011 -- about her credentials. She informed prospective investors who attended the conference about credentials that weren't true. In between, she doctored documents to assuage concerns of investors, misrepresented her credentials, repeatedly, even helped Dr. Ahn with an IRS investigation, and provided inaccurate information to various agencies on multiple occasions. So she was lying on many occasions, for many reasons.

Ninety percent of the time, these lies are being directed

by her husband, who early on said, "If we're going to do any good in the investment work, you've got to puff up your credentials. You've got to look better than you are." This is all laid out in our sentencing memo and were covered by Ms. Maley, to some extent. And a good example of that is, the government talks about the misrepresentations to the government about what he was making, what Lawrence was making. Grace was involved with that, but we know those inquiries about what he's making, in terms of probation requirements or follow-up restitution requirements, were directed to Lawrence, not to Grace. So Lawrence is the person who's telling her what to say. This is on Lawrence. Lawrence was dictating what it is that she should do.

With respect to where we were when we were negotiating the case, let me say, quietly, it was contentious. And I think Your Honor can sense that this case has been a difficult case for the parties to resolve, from day one, and that the government has been extraordinarily aggressive in its approach to punishment in this case and plea bargaining.

And early on in the case, we were having discussions, and the speedy trial clock is running, and we had to get multiple continuances. You'll recall that, Your Honor. We asked the Court on at least two occasions, maybe three, to continue the matter out, because the discovery was such a mess. The government would send it in batches, without really any

assisting guidance on how we could get through with it. Finally, even Steven Masada said, "I agree. Let me try to help organize that with you." We asked for another continuance. He offered some help. It made it a little better. Speedy trial clock is ticking. Trial dates are coming up. I still don't have my arms around it at all.

We negotiated -- I attempted to negotiate with the government. They rejected the offer I made. I said, "Well, look. We're just not going to have a plea bargain, then. We're just going to plead guilty. We'll take these four counts, the documents I can put my hands on." It's obvious that Grace misrepresented --

THE COURT: Well, just a moment, Mr. Hillier. I'm sorry, but I don't want to hear about the plea negotiations. She entered into a plea. She admitted certain facts. That was 16 months ago.

MR. HILLIER: Right.

THE COURT: And you've filed a lot of briefs since then, and you've taken a lot of positions. And I think you should limit your remarks to what she pled to, and what you've said, and what you think the appropriate sentence should be.

MR. HILLIER: I'll try to be a little less background-focused, Your Honor.

So we pled guilty to four specific -- or I offered to settle the case by pleading to four specific counts that she

obviously misrepresented to investors; that we could say, in good conscience now, get these out. The government resisted that, ultimately asked me to plead to the conspiracy. We did. The plea to the conspiracy ran from, as Your Honor noted earlier -- from 2010 until the date of arrest. So she entered a plea of guilty to a conspiracy that covers the entire breadth of the misconduct alleged, specifically noting, I agree, on these points --

THE COURT: Just a moment. All right. Conspiracy to commit wire fraud. But in her statement of facts, she says that her activities were limited from May of 2016 to March of 2017.

MR. HILLIER: As to the acts that we were -- the counts that we were specifically referring to, that's true. By virtue of pleading to the conspiracy, though --

THE COURT: That included the conspiracy.

MR. HILLIER: Well, all acts are included in a conspiracy. And as the government argued later on --

THE COURT: Here's my question to you. You're familiar with the concept of relevant conduct?

MR. HILLIER: Yes.

THE COURT: All right. Now, are you saying that she was not involved in this conspiracy prior to May of 2016? Is that what you're saying?

MR. HILLIER: No, not at all. She was involved in it

from the time she uttered her first misrepresentation to somebody who was going to be a potential investor. That happened, as far as I know from this -- what discovery I have been able to get my arms around, as early as 2011, when she wrote Dr. Ahn a letter saying, "I am this person," describing her credentials in a way which was false. And she knew at that point in time that that misrepresentation was being made to somebody who might invest money in this scheme, and that she's guilty. So way back then, she's admitted to all of that, and right up and until the conclusion of the case, basically.

So when we were working on just making a deal, that's the way it came out. But we do -- and the plea agreement notes, even though you're saying this, the government reserves the right, and you acknowledge, that they're going to bring in everything. We said, "Yes, we understand that." So, you know, it's all out there from the time we made the plea. But at that point in time, we're still trying to figure out what's ever happened. And the government's pleadings, or some of its statements to you, reflect the idea that Mr. Hillier said, you know, "This is all going to get more fulsome as we go along." And, in fact, that happened. By the time she pled guilty -- by the time -- well, right now you've seen her memo. We've gone through everything, and Grace is fully accepting of everything she did from the first time she became involved.

Your Honor, so I think the government's rhetoric about her

conduct, post-arrest and until now, is unduly harsh. She did what she could to try to find work, or just to make sure the assets that were frozen remained secure and safe in her home. And she's done all of that, and she's complied with pretrial services, to the point where their memo says complied with A, B, C, D, and E, was a model of compliance, and we recommend that she have the opportunity to self-surrender. So she was basically a model of compliance throughout all of this ordeal.

And just the other day, the government filed a variation on that theme, which was even more aggressive than what they had been saying earlier, ripping Ms. Hong, Ms. Maley, and myself for having the temerity to maintain, as we do, that Grace, for all of her criminal misbehavior, did not know her husband's claim, that he was rich and had resources to back up the investments made by investors, was a sham. She didn't know that until literally after she was arrested. She thought he had these billionaire Koreans in his pocket, and he was managing large amounts of money and would be able to make everybody whole in the long run.

The government seems incredulous in that memo, which you quote from, again and again in the findings you made earlier today, which are simply not accurate. And, really, the incredulity is faked. The government has known, from day one, that it's been our central point of agreement that we agree these misrepresentations were made to the detriment of

investors. What I didn't know is that Lawrence didn't have the billions of dollars that he said he did, the same representations that he made to sophisticated investors, like Dr. Ahn and Alex Cheng and Peter Nordstrom. The same representations that they thought, you know, were attractive enough that they would invest were the ones that were made to Grace. Grace didn't question those representations, because she was told not to question those representations. She was told that "This is my thing. I don't want you to get involved."

So I think -- and, later, this last-minute filing, which some of the documents I have never seen, Justin Arnold jumped up immediately, saying, "They've had those for up to a year." Well, I don't know. The discovery is a mess. We tried to find them yesterday. I'm not very versatile in that realm. Michelle dug and dug. We asked the government, "Could you give us the Bates numbers, or tell us where they are?" They responded, and they said, "They were recovered in the e-mail search warrant. You have them." That's the help we got yesterday, when we first saw all these documents for the very first time. But none of them have anything to do with the core question, that we've been arguing about forever, of whether or not Grace knew that Lawrence Hong was not rich, and that he was --

THE COURT: Mr. Hillier, the core question is, what's

the appropriate sentence and why?

MR. HILLIER: Well, I'm trying to get there, Your Honor.

THE COURT: All right. Well, that's the core question.

MR. HILLIER: Well, okay. I wanted to talk about reasons why the sentence should be softened. And much of that depends upon whether you believe, as you already indicated you're not sure you do, Mrs. Hong didn't know the depth of Lawrence's fraud. It's a critical kind of question, because if she knew he was ripping stuff off, and she was complicit in that, that's one thing. If she's helping him get investors, by lying, but doesn't know that he's ripping them off, that's another thing.

And as we said in our memo, and I would emphasize a bit, the 302s, provided by the FBI, concerning key witnesses, which they now say we are attacking, which we're not, bear that out. I'm not attacking Dr. Ahn or Alex Cheng or even Allen Choi. But Dr. Ahn talks about how hard Lawrence worked to keep information secret from Grace. He even asked him, and it's in the 302, "Why are you doing that?" And Lawrence says, "Because I'm a man, and that's traditional." Alex Cheng said basically the same thing; that she appears to be the face of this organization. And Dr. Ahn talked about how she was doing secretarial work.

All of this is relevant, and also relevant is something that the government, I think, not disappointingly, but somewhat offensively, says is our reliance upon stereotypes, by saying -- suggesting, discarding, disrespecting, our argument that cultural concerns impacted Grace's behavior; pushing aside what is just as pure and simple a fact as we are here in this courtroom today, that equity -- gender inequality is rampant in South Korea. Women are at the bottom of the pecking order. Women are supposed to be obedient and listen to their husbands and be traditional wives. And when you're not, you're creating a lack of harmony in the home. And Grace, as a traditional Korean, and not the westernized person that the government would have you believe, was that way. And she was certainly that way by virtue of her religion, which required her to act out her covenant to her husband. And she was that way in the eyes of these men who interacted with her and saw her in a subordinate role.

And if you read the phone recording that was -- the phone calls that were surveilled by the government from the FDC, just the last couple of months, it bears it out. The language specialist who translated a batch of these calls, back earlier this year, says, "During this specific period, calls between Grace and Lawrence, he would instruct his wife to write daily e-mails," basically about their most intimate affairs, embarrassing, intimate stuff; and that he would blow up over

her for not picking up calls, threatening to end their relationship, until she would apologize, and ultimately she would appease him by complying with his demands. And his demands, his demands -- this doesn't just show that she's under his thumb and trying to appease him. This is while he's in jail. They show more the legitimacy of this cultural concern that we've brought to Your Honor's attention.

They also show a little bit about who Lawrence is. He's all about himself. His own needs are the center of the universe, never mind that he's putting out his wife's intimate behavior publicly, published recordings, that the government's listening to, that could be listened to by anybody else, shaming her, embarrassing her publicly. Who of us would do something like that? Well, Lawrence would, and it makes sense that he would tell her that, "I've got money," which everybody believes he did, because he operated, as was shown in your memos -- or the memos, as a rich guy, portraying himself to be a rich guy. And it would also make sense that he wouldn't tell her that, in fact, he's a sham. Because if that happens, he loses his paycheck. He did use her to do the things that we saw on that tape that the government played here a few minutes ago.

And just one other diversion, before I answer your question, Your Honor, those same tapes show who Grace is, or the phone calls. The sheet that we got from the government,

covering the tapes, listed hundreds and hundreds and hundreds of them over the course of his incarceration, four, five, ten, a day. Minja was there during some of those phone calls. Grace would pick them up. She would cater to him, and she would listen to him, obediently. And she got mad at her for being so compliant. "He's in jail. You're in trouble. Why are you doing that?" And I don't ask my clients that kind of question, Your Honor. I just don't feel I can, unless I've been in their shoes. But I did ask Grace, "Why did you do that?" And this is what she said: "He's my husband. He's in jail. He is sad and afraid. He's alone. He's away from his children. It would not be right for me to shun him."

My respect for Grace Hong at that moment soared. She was expressing a kind of love called "agape," which I'm sure some of her friends know of. It's a love -- it's not physical love, or brotherly love. It's a love based on forgiveness and compassion. It's the kind of love that when you're the victim of something, and you show forgiveness and compassion, it dignifies you, and it dignifies the person. What Grace was doing was her best to show agape to somebody who's in a lot of trouble, who's also the husband [sic] of her children. She hung in there with him, not because she supports what he did, but despite it. And that's who she is. And that's who Lawrence Hong is. It's understandable why she acted the way she did, under the full circumstances of her life.

As to what should be done, I hope we all agree the guidelines aren't a great marker. The government's recommendation, nonetheless, is unapologetically linked to the guidelines, and as a result, it's stratospheric, that ten years. And it really is out of whack. It's totally an unwarranted disparity, compared to other similarly situated defendants. I provided you a shorter list of cases, all of which were all the same degree of fraud, but with under -- you know, that had fairly long sentencing ranges, but the sentences that were imposed were all in the four- to five-year range.

I based our recommendation on two things, the seriousness of the offense and 3553(a) factors. And those factors, Your Honor, are the type that aren't given a numerical value, under the guidelines, like the fact that Grace was seduced over here, under false pretenses, abandoning a life in Korea that the government has described as happy and supportive and good; lost that because of him. She got legal status here, had children here, who are now U.S. citizens, which creates a Pandora's box of issues. She gets no points for having to be deported, despite living here for so long; no points for the conditions of confinement suffered; no points off for family circumstances, such as the children who are going to be deprived of their parents for a period of time; no consideration of the civil prosecution, under the guidelines, nor the threat of extortion leveled by one of the government's

key witnesses, Allen Choi.

And Allen Choi, as we showed in our memo, was complicit in bringing investors into the Primoris fund that he and Lawrence ran, under false pretenses, and said, "Never mind," when he was talking to the FBI, "about getting my money back. I'm going to sue his parents, when I get back to Korea, because they'll have to fold, under Korean law, and I'll get my dough back that way." And Mr. Choi should know that I'm sending those 302s to Mr. Lee so that they will be there, ready for his defense, in the event that Mr. Choi actually tries to follow up on that act of extortion. All these circumstances and more offer some degree of reason to show Grace some compassion, to moderate the sentence that you might otherwise have imposed.

And when I think -- to answer your question, the other part of this is the seriousness. We all know this is a bad offense, a serious offense. People suffered that -- to degrees that are unbearable. And I think back -- when you don't have a good traction, under the guidelines, for what should we do, and rarely do we -- of a moment in court, in front of a federal judge who I know you remember, Judge Donald S. Voorhees. This, of course, was a time when sentencing was more organic than it is now. It wasn't arithmetic. And I had a tough client. And he was anguished. He said, you know, "I hear you, but this was a bad crime, and I need him to get a lot of time. And I've been thinking and thinking and thinking, what is a long time?"

And he said, "I know what a long time is. A long time is four years. That's how long I was in the military, and that was a long time." So intuitively, based on real-life experience, he came up with that number.

Under the law that was prevalent then parole-wise, what that means is, it's a one-third to two-thirds, 16 months to 32 months, and our recommendation is right in that wheelhouse, as is the Renfrow case, Your Honor, another person, a compliant wife, who assisted her husband in a 50-million-dollar scheme, who limited her culpability and her participation through the plea bargaining process, which the government is criticizing us for and thinks ought to aggravate our penalty. But the same kind of thing, a woman who trusted her husband, lied for him, the government characterizes it as not a very big deal.

Our sentencing memo quotes from the government's sentencing memo as to what she actually did. And what the government said at the time that she was sentenced about what she did was this. And it rings with a certain amount of echoing here, Your Honor. "The diversion was egregious, but the cover-up was worse. Ms. Renfrow played a critical role in creating and distributing countless financial documents, and not only ones concealed where the client's money was invested, but also lied about the performances of the Spangler Group's funds. Ms. Renfrow systematically reported these funds were readily appreciating in value, despite being aware that they

were primarily invested in TeraHop, a company that lost $50 million and generated only $70,000." She was, quote, "a direct participant in the Ponzi scheme, misled clients with fraudulent financial statements, and covered up the fact that the Spangler Group was a failure," sort of like where we are now, compliant, trusting, loving wife. Your sentence was two years.

Our recommendation, Your Honor, is a sentence of not more than two years.

THE COURT: Thank you.

Does your client wish to be heard?

MR. HILLIER: Yes, she does.

MS. HONG: Thank you, Your Honor. Your Honor --

THE COURT: Good afternoon.

MS. HONG: Good afternoon. Can I take this opportunity to -- can I take this opportunity to apologize to the victims first?

THE COURT: Certainly.

MS. HONG: I'm so sorry. I'm so sorry. I don't have the words to apologize, and no words can express what I'm feeling right now. I feel ashamed, as a mother, as a wife, as a fellow friend, but more importantly, as a person who believes in God. I'm so sorry, and words cannot express how I feel. Every single day, I've been getting down on my knees to ask for repentance. I'm so sorry. I don't know what to say more. And I'm going to do my best. I'm going to do my very best to use

my hands to pay back each cent to all of you. So I know this will not heal the hurt and pain that you and your family have felt -- I know that -- but I just want to take this opportunity to say I'm sorry. I'm so sorry.

I just want to, first, take the opportunity to say I'm sorry to the government, and the U.S. government, and also this court. The actions that I took, there's no excuse for it. It was my misjudgment and misconduct, and it was my fault. And I'm sorry for hurting so many people.

But for the past eight years, it kind of feels like I've been in a cloud. When I first met my husband, I was in a place -- a very dark place, where I didn't know who I was. And he came into my life, and he really helped me. And I fell in love with him, and I honored him, and I trusted him with everything, everything that he was telling me. And I should have opened my eyes more. I should have opened my eyes more. I should have asked more questions. But at that point, he was telling me all these things, and I just trusted him. And even though, through the eight years, there were times that he would tell me to do things and inside of me I knew it was wrong, but at the same time, I kind of trusted that he had this other job. And I was helping him, as a wife, to get back into his feet, so he could be a legitimate businessman. And that led to many of the wrong judgments that I made, and I'm sorry for doing that.

But if I could say one thing, one thing that I held on,

since I was a little girl, is the faith that I had for the Lord. And I found God on my own, when I was a little girl, and I trusted that voice. But it does not give me the excuse to the bad judgments that I made. But at the same time, that is the one thing that I always hold onto, the faith that I have for the Lord. So I hope the Court can consider that the faith that I have is genuine, and it was not -- it was not a scheme to lead to any of these misconducts.

So I just wanted to apologize to everyone here. I'm sorry.

THE COURT: Please remain standing.

Well, the defendant is here for sentencing for conspiracy to commit wire fraud, Count 1; and wire fraud, Counts 4, 8, 9, and 12.

This -- the Court has this morning made guideline computations, but those guidelines are not -- I'm not bound by them. And what I am required to do is look at the 3553(a) factors and determine what's an appropriate sentence, taking into account the nature and extent of the fraud or crime, what's appropriate, what would be a deterrent, what is enough but not more than necessary to punish this defendant.

The presentence report outlines the nature of the fraud. It represented numerous false representations to investors, including their personal wealth, their credentials, the returns. This defendant pled guilty to conduct that occurred

from approximately June of 2016 -- May of 2016 through March of 2017, involving a limited number of wire fraud and the conspiracy during that period. But in the law, there is a concept of relevant conduct. And the relevant conduct occurred between at least 2011 and 2017, involved approximately 57 individuals, and resulted in a total loss of over $12 million.

The -- I made some observations -- Mr. Hillier referred to them as findings -- this morning regarding whether or not this defendant should have a minor role. And I concluded she should not. I'm continuing to be satisfied that this defendant played an integral, important role in the entire scheme; that she misrepresented her credentials. She took God's name and relied on the beliefs of people to make investments, approaching them in a way to emphasize the nature of her religious beliefs. I don't challenge in any way this defendant's religious beliefs, but she used that to entice investors to put money into the pockets of the two defendants.

The example that is particularly troubling -- and, of course, the money was used to buy expensive things, including $12,000-a-month rent for a luxury residence in Clyde Hill; hundreds of thousands of dollars in high-end vehicles, such as multiple BMWs, a Maserati, a Lamborghini; a personal yacht, *For Grace*. That was the name of the yacht.

The example involving the Nordstroms is particularly troubling to the Court. This happened -- they had put in

$185,000. They'd lost about $100,000. So in January of 2017, they were convinced, by this defendant and her husband, to put in more money. And they wired, on January 4 of 2017, $80,000 into this defendant's personal bank account. At the time, the balance in that bank account was $581 and change. Immediately following the $80,000 deposit, the Hongs used the funds, $6,000 for a payment of -- a cash withdrawal of $6,000; a payment of $16,000 to a luxury resort for a trip to the Bahamas; payments totaling $13,000 and change to American Express for the personal credit card. And this was done with the Nordstroms' money and illustrates what was going on. They went out and convinced various investors to invest with them, with promises that they would -- their money would be protected. And they made those representations making all sorts of false statements about their credentials, and what they would do, and how they would handle the money.

The defendant said, during her statement -- or perhaps Mr. Hillier said that the whole life was built around a scam. Well, I think -- and they were referring to the husband's scam of her. But I have to tell you, I think this defendant played an integral part in the sham. And her whole life, at least in the last several years prior to her arrest, has been a sham in terms of who she said she was, what they said to the investors to persuade them to invest.

I have watched that video of the presentation at the

conference, before the church group, about five times. And I watched this defendant at the end explain how she woke up -- God woke her up at 3:00 in the morning. And she literally tears up at that -- you see it on the video. That's a sham. That was done -- that was acting. That was an effort to have those attendants at the conference put money into the hands of these defendants so they could be essentially stolen. And it worked. I think that almost $3 million came in from people who attended that conference. You cannot watch that and believe that she was sincere; that God really woke her up at 3:00 in the morning, and she really heard God say what she told us.

Her life has been a big lie for the last five or six years. I'm sure that she's sorry, now, as to where she is, because most defendants who come before the Court for sentencing are sorry they're standing there. But I wish that she had been a little more repentant a little earlier.

The Court has attempted to look at all of the cases from the district that have sentenced people in similar kinds of crimes, so that whatever sentence is imposed is not disparate from someone else who was sentenced for similar crimes. The idea being that if you commit a crime, you should be sentenced commensurate with what others got for doing the same conduct. And, of course, there's a whole range of cases that have been before the Court.

The case that seems to be the closest is the Breard case,

where the defendant diverted $12 million to her personal use. She provided clients with false account statements, like this defendant. There were 37 victims in that case. And there was a violation of the securities laws. That defendant had a criminal history category of one. And it should be noted that this defendant has no prior convictions, which was a great aggravating factor in terms of the other -- her husband's account. That defendant received an 80-month sentence. There are other cases in the district that the Court has also considered.

The defendant raises an issue that I have struggled with mightily, and that is, she's got three young children. Those young children, regardless of what I do, are going to be deprived of their mother for some period of time. And that's -- I understand that. But I also understand that what this defendant and her husband did have affected the lives of other people and their children. And you can't have it both ways. You can't say, "Don't send me to jail, because I have young children," and go out and commit crimes. And I know, over the years, I have had to send people to jail, with young children. And it's not easy. But I think that it is appropriate and necessary to do so in this case.

It will be the judgment of the Court that the defendant be sentenced to a period of six years, or 72 months, in prison, followed by supervised release for a period of three years. I

find that no -- I'm going to waive the fine. I'm going to assess restitution in the amount of -- you've got to give me the amount again.

MR. ARNOLD: Yes, Your Honor. It's $12,726,352.67.

THE COURT: Restitution will be ordered in that amount to the victims. Special assessment of $500 is ordered as required by law. I'll permit the defendant to self-report.

I'll ask the defendant whether they wish to have me designate or -- not designate, but recommend?

MR. HILLIER: Your Honor, I would request that you recommend an institution on the West Coast or as close as possible.

THE COURT: As close as possible to Seattle? Is that what you're saying?

MR. HILLIER: Yes, Your Honor.

THE COURT: All right. Let's put it in the judgment.

I advise the defendant that to the extent you have not waived your rights of appeal by entering into the plea agreement -- most plea agreements have a waiver. But to the extent you have appeal rights, they must be exercised by filing a notice of appeal within 14 days of the time I sign the judgment.

And I ask counsel whether he has a judgment to present?

MR. HILLIER: Your Honor, may your judgment reflect that I've talked with probation about whether this is something

the Court can do, as compared to Mr. Frush's request.

The Court may direct that reporting -- self-surrender not occur before and give her some time here. We've still got some fairly large obstacles in arranging for childcare for the -- for Grace's children. And it would be comfortable if we could get two months out; but at a minimum, one month out, before she has to report.

THE COURT: Well, I'm going to suggest we make it not before January 10 of next year.

MR. McNICKLE: That can certainly be written in the judgment. It would be, traditionally, a surrender date of between four and six weeks out, if we just --

THE COURT: So let's just say a surrender date not earlier than January 10. Let's see what January 10 is.

MR. McNICKLE: That would be 12 weeks.

THE COURT: Is that satisfactory?

MR. HILLIER: That would be perfect, Your Honor.

THE COURT: Just a moment.

All right. Let's put that in the judgment.

MR. HILLIER: Thank you.

MR. ARNOLD: Your Honor, I'll show the judgment to Mr. Hillier.

MR. HILLIER: I've reviewed the written judgment. It does comport with Your Honor's oral pronouncement.

MR. ARNOLD: May I approach, Your Honor?

THE COURT: Yes. Thank you.

Let me ask you this. I have before me the government's preliminary order of forfeiture in this case. Is there any objection to the form of that preliminary order?

MR. HILLIER: There is not, Your Honor.

THE COURT: All right. I'm going to sign that, first, in this case as to this defendant.

I've signed the order of forfeiture. It will be filed. I've signed the judgment. It will be filed.

Anything further to come before the Court?

MR. HILLIER: No, Your Honor.

MR. ARNOLD: No, Your Honor. Thank you.

THE COURT: We'll be in recess.

(Adjourned)

C E R T I F I C A T E

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

*/s/ Andrea Ramirez*

ANDREA RAMIREZ
COURT REPORTER

The Honorable Thomas S. Zilly

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MAR 27 2018

AT SEATTLE
CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
BY DEPUTY

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

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| UNITED STATES OF AMERICA,<br>Plaintiff,<br><br>v.<br><br>SUNG HONG,<br>aka Laurence Hong,<br>aka Lawrence Hong,<br><br>Defendant. | NO. CR17-163 TSZ<br><br>**PLEA AGREEMENT** |

The United States of America, by and through Annette L. Hayes, United States Attorney for the Western District of Washington, and Justin W. Arnold and Steven T. Masada, Assistant United States Attorneys, SUNG HONG and his attorney, C. James Frush, enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(c)(1)(A) and (B):

1. **The Charges**. Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enters guilty pleas to the following charges contained in the Superseding Indictment.

a. Conspiracy to Commit Wire Fraud, as charged in Count 1, in violation of Title 18, United States Code, Section 1349.



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b. Conspiracy to Conspiracy to Launder Monetary Instruments, as charged in Count 21, in violation of Title 18, United States Code, Section 1956(h).

c. False Statement, as charged in Count 23, in violation of Title 18, United States Code, Section 1001(a)(2).

By entering these guilty pleas, Defendant hereby waives all objections to the form of the charging document. Defendant further understands that before entering his guilty pleas, he will be placed under oath. Any statement given by Defendant under oath may be used by the United States in a prosecution for perjury or false statement.

2. **Elements of the Offenses.** The elements of the offenses to which Defendant is pleading guilty are as follows:

a. The elements of Conspiracy to Commit Wire Fraud, as charged in Count 1, in violation of Title 18, United States Code, Section 1349, are as follows:

*First,* two or more persons, in some way or manner, agreed to try to accomplish a common and unlawful plan to commit a fraud crime listed in Title 18 Chapter 63, namely, Wire Fraud[1]; and

*Second,* the defendant knew the unlawful purpose of the plan and willfully joined in it.

b. The elements of Conspiracy to Launder Monetary Instruments, as charged in Count 21, in violation of Title 18, United States Code, Section 1956(h), are as follows:

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[1] The offense of Wire Fraud has four elements:

*First*, the defendant knowingly participated in, devised, or intended to devise a scheme or plan to defraud, or a scheme or plan for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or omitted facts.

*Second*, the statements made or the facts omitted as part of the scheme were material; that is, they had a natural tendency to influence, or were capable of influencing, a person to part with money or property;

*Third*, the defendant acted with the intent to defraud; that is, the intent to deceive or cheat; and

*Fourth*, the defendant used, or caused to be used, an interstate or foreign wire communication to carry out or attempt to carry out an essential part of the scheme.



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*First*, there was an agreement between two or more persons to commit the crime of Laundering Monetary Instruments[2];

*Second*, the defendant became a member of the conspiracy knowing of at least one of its objects and intending to help accomplish it;

*Third*, one of the members of the conspiracy performed at least one overt act for the purpose of carrying out the conspiracy.

c. The elements of False Statement, as charged in Count 23, in violation of Title 18, United States Code, Section 1001(a)(2), are as follows:

*First*, the defendant used a writing that contained a false statement in a matter within the jurisdiction of the United States Department of Justice;

*Second*, the defendant acted willfully; that is, the defendant acted deliberately and with knowledge both that the statement was untrue and that his conduct was unlawful; and

*Third*, the statement was material to the activities or decisions of the United States Department of Justice; that is, it had a natural tendency to influence, or was capable of influencing, the Department of Justice's decisions or activities.

3. **The Penalties**. Defendant understands that the statutory penalties applicable to the offenses to which he is pleading guilty are as follows:

a. For the offense of Conspiracy to Commit Wire Fraud, as charged in Count 1: A maximum term of imprisonment of up to twenty (20) years, a fine of up to $250,000 or twice the pecuniary gain to the defendant or losses to the victims of the

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[2] The offense of Laundering Monetary Instruments has four elements:

*First*, the defendant conducted a financial transaction involving property that represented the proceeds of prior, separate criminal activity, namely, Wire Fraud;

*Second*, the defendant knew that the property represented the proceeds of some form of unlawful activity; and

*Third*, the defendant knew that the transaction was designed in whole or in part to conceal or disguise the nature, location, source, ownership, or control of the proceeds, or to avoid a transaction reporting requirement under state or federal law.



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offense, a period of supervision following release from prison of up to three (3) years, and a mandatory special assessment of $100.

b. For the offense of Conspiracy to Launder Monetary Instruments, as charged in Count 21: A maximum term of imprisonment of up to twenty (20) years, a fine of up to $500,000 or twice the value of the property involved in the transaction, whichever is greater, a period of supervision following release from prison of up to three (3) years, and a mandatory special assessment of $100.

c. For the offense of False Statement, as charged in Count 23: A maximum term of imprisonment of up to five (5) years, a fine of up to $250,000, a period of supervision following release from prison of up to three (3) years, and a mandatory special assessment of $100.

If a probationary sentence is imposed, the probation period can be for up to five (5) years. Defendant agrees that the special assessment shall be paid at or before the time of sentencing.

Defendant understands that supervised release is a period of time following imprisonment during which he will be subject to certain restrictive conditions and requirements. Defendant further understands that if supervised release is imposed and he violates one or more of the conditions or requirements, Defendant could be returned to prison for all or part of the term of supervised release that was originally imposed. This could result in Defendant's serving a total term of imprisonment greater than the statutory maximum stated above.

Defendant understands that as a part of any sentence, in addition to any term of imprisonment and/or fine that is imposed, the Court must order Defendant to pay restitution to any victim of the offense, as required by law.

Defendant further understands that a consequence of pleading guilty may include the forfeiture of certain property either as a part of the sentence imposed by the Court, or as a result of civil judicial or administrative process.



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Defendant agrees that any monetary penalty the Court imposes, including the special assessment, fine, costs, or restitution, is due and payable immediately and further agrees to submit a completed Financial Statement of Debtor form as requested by the United States Attorney's Office.

4. **Rights Waived by Pleading Guilty.** Defendant understands that by pleading guilty, he knowingly and voluntarily waives the following rights:

a. The right to plead not guilty and to persist in a plea of not guilty;

b. The right to a speedy and public trial before a jury of his peers;

c. The right to the effective assistance of counsel at trial, including, if Defendant could not afford an attorney, the right to have the Court appoint one for him;

d. The right to be presumed innocent until guilt has been established beyond a reasonable doubt at trial;

e. The right to confront and cross-examine witnesses against Defendant at trial;

f. The right to compel or subpoena witnesses to appear on his behalf at trial;

g. The right to testify or to remain silent at trial, at which trial such silence could not be used against Defendant; and

h. The right to appeal a finding of guilt or any pretrial rulings.

5. **Ultimate Sentence**. Defendant acknowledges that no one has promised or guaranteed what sentence the Court will impose.

6. **Loss Amount.** For purposes of determining the appropriate sentence, the parties agree that the amount of loss will be determined as part of sentencing. Defendant understands that the United States believes that the total *actual* loss to victims of the offense is at least $12,778,315.98, or thereabouts, and that the intended loss as contemplated by the Sentencing Guidelines is far in excess of that amount. *See, e.g.,* U.S.S.G. § 2B1.1, Application Note 3. Defendant acknowledges that the offense caused



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actual and intended loss to victims, but reserves the right to contest the loss amount at the time of sentencing.

7. **Restitution.** Defendant shall make restitution to the victims of the offense in the total amount of loss, to be determined at the time of sentencing, with credit for any amounts already paid. This amount shall be due and payable immediately and shall be paid in accordance with a schedule of payments as proposed by the United States Probation Office and ordered by the Court. As set forth above, Defendant understands that the United States believes and will argue that restitution is owed in the total amount of at least $12,778,315.98, or thereabouts. Defendant understands that nothing in this plea agreement prohibits victims of the scheme alleged in the Superseding Indictment from asking the Court for a different amount of restitution at sentencing.

8. **Forfeiture of Assets**. Defendant understands that the forfeiture of assets is part of the sentence that must be imposed in this case. Defendant agrees that the conduct described in the Superseding Indictment and this Plea Agreement provides a sufficient factual and statutory basis for the forfeiture of the property sought by the United States.

Defendant agrees, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), to forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to a conspiracy to commit a violation of Title 18, United States Code, Section 1343—a specified unlawful activity as defined in Title 18, United States Code, Sections 1956(c)(7)(A) and 1961(1)(B)—as charged in Count 1 of the Superseding Indictment, and Defendant further agrees, pursuant to Title 18, United States Code, Section 982(a)(1), to forfeit any property, real or personal, involved in an offense in violation of Title 18, United States Code, Section 1956(h), as charged in Count 21 of the Superseding Indictment, or any property traceable to such property, including but not limited to the following:

- One 2015 Aston Martin DB9 Volante, Vehicle Identification Number SCFFDAFM9FGB16266;



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- Approximately $209,261.37 in funds held in Interactive Brokers LLC account number XXXX6283, held in the name of Hyun Joo Hong;
- Approximately $6,417.42 in funds held in Interactive Brokers LLC account number XXXX9407, held in the name of Pishon Holding, LLC;
- Approximately $5,069.17 in funds held in J.P. Morgan Chase Bank, N.A. account number XXX8615, held in the name of Pishon Holding, LLC;
- Approximately $1,009.76 in funds held in J.P. Morgan Chase Bank, N.A. account number XXXXX9962, held in the name of Hyun Joo Hong;
- One ring with attached apparent colorless, transparent, round, brilliant-cut diamond weighing approximately 3.02 carats, and apparent diamonds inset on band, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One Rolex Oyster Perpetual Yacht-Master watch, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One Patek Philippe watch with apparent inset diamond, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One gold U.S. Liberty Coin, weighing approximately one ounce, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- Assorted jewelry seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004, including items appearing to be: two gold metallic keys, twenty gold metallic rings; three silver metallic earrings with inset gemstones; four gold metallic bracelets; one gemstone pearl bracelet; one silver metallic ring; eight gold metallic rings on a gold metallic bracelet; one Tiffany key pendant necklace; one soccer ball pendant necklace; two gold metallic chain necklaces; two gold metallic U.S. Senate cufflinks, and one gold metallic medallion necklace; and
- A judgment for a sum of money representing any property, real or personal, that constitutes or is derived from proceeds traceable to the offense charged in Count 1 of the Superseding Indictment, and any property involved in the offense charged in Count 21 of the Superseding Indictment, or any property traceable to such property.



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Defendant agrees to fully assist the United States in the forfeiture of the above-described property and to take whatever steps are necessary to pass clear title to the United States, including but not limited to: surrendering title and executing any documents necessary to effectuate such forfeiture; assisting in bringing any assets located outside the United States within the jurisdiction of the United States; promptly consenting upon request to the entry of any orders deemed necessary by the United States or the Court to complete the forfeiture and disposition of the above-described property; and taking whatever steps are necessary to ensure that assets subject to forfeiture are not sold, disbursed, wasted, hidden, or otherwise made unavailable for forfeiture. Defendant further agrees to refrain from filing any claim in, or otherwise contesting, any administrative or judicial forfeiture proceeding that has been or may be initiated against the above-described property.

Defendant agrees to waive all constitutional and statutory challenges to forfeiture in any manner—including direct appeal, habeas corpus, or any other means—as to any forfeiture carried out in accordance with this Plea Agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. If the United States chooses to effect the forfeiture provisions of this Plea Agreement through the criminal forfeiture process, Defendant waives the requirements of Federal Rules of Criminal Procedure 11(b)(1)(J), 32.2, and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment.

The United States reserves its right to proceed against any remaining assets not identified in this Plea Agreement, including any asset in which Defendant has an interest or control, if those assets constitute or are derived from proceeds traceable to a violation of Title 18, United States Code, Sections 1349, or are involved in an offense in violation of Title 18, United States Code, Section 1956.

9. **Statement of Facts**. The parties agree on the following facts. Defendant admits he is guilty of the charged offenses:



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**A. Overview**

a. From approximately February 2010 through June 2, 2017, SUNG HONG and HYUN JOO HONG (collectively, "the Hongs") devised and executed a scheme to defraud actual and prospective investors and to obtain money and property by means of materially false and fraudulent representations, promises, and omissions. As discussed below, the Hongs, with the intent to defraud, represented themselves to others as experienced and successful investment advisors with a particular interest in assisting individuals who shared their purported devout religious faith.

b. SUNG HONG is also currently known as "Laurence Hong" and formerly used the name "Lawrence Hong." On April 6, 2007, SUNG HONG, then using the alias "Lawrence Hong," pleaded guilty to one count of Wire Fraud in *United States v. Sung Hong*, CR07-033JLR, which resulted from an investment fraud he committed against another individual. On January 14, 2008, SUNG HONG was sentenced and ordered to: (1) serve a 33-month term of imprisonment; (2) serve a 3-year term of supervised release; and (3) pay $870,834 in restitution to the victim of his charged offense and other fraud victims.

c. Between May 26, 2009, and May 27, 2012, SUNG HONG served his term of supervised release under the supervision of the U.S. Probation Office for the Western District of Washington. While on supervised release, SUNG HONG engaged in fraudulent activity and willfully made false statements to others, including federal employees.

d. In April 2010, SUNG HONG and HYUN JOO HONG, also known as "Grace Hong," legally married.

**B. Fraudulent Investment Activity**

a. From approximately February 2010 through approximately June 2, 2017, SUNG HONG and HYUN JOO HONG purportedly operated investment advisory businesses that purported to manage funds and investments for the benefit of investors. Together, the Hongs formed various corporate entities using the name "Pishon," including Pishon Capital Management LLC, Pishon & Co., LLC, the First Pishon, LLC, and Pishon Honlding, LLC, (collectively "Pishon") to facilitate their purported investment services. In order to conceal SUNG HONG's involvement, each of the Pishon entities were registered and nominally associated with only HYUN JOO HONG.

b. During the scheme to defraud, the Hongs solicited funds from prospective investors purportedly to invest for the respective investors' benefit. Through Pishon, the Hongs purported to invest these funds through an affiliated "Pishon" hedge fund, Pishon Holding, LLC, or through separately managed accounts (SMAs) at third-party broker dealers. With regard to the SMAs, the Hongs persuaded investors to open investment accounts at third-party broker dealers and provide the Hongs with full account management authorization. To attract investors and to perpetuate their scheme, the



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Hongs made numerous false representations, as discussed below, including falsely representing lofty historical investment returns, their personal wealth, their credentials and qualifications, and investment clients and associates.

c. In reality, the Hongs, by means of interstate wire communications, redirected significant portions of investment funds to their own personal accounts without their investors' authorization. The Hongs then used the misappropriated funds to pay personal expenses and to maintain an extravagant lifestyle. With respect to some investors, the Hongs also incurred substantial investment losses for funds they did invest. To conceal their substantial misuse of investor funds and significant investment losses, and to perpetuate the scheme, the Hongs knowingly and intentionally provided investors with materially false information about the performance of their investments and continued to solicit prospective investors for additional funds based on fraudulent misrepresentations.

d. To solicit and obtain funds from investors, SUNG HONG and HYUN JOO HONG made a number of representations to investors orally and in writing. For instance, the Hongs prepared and disseminated offering materials, including a Pishon investment fund prospectus, to investors that contained numerous false representations and omissions of material facts. Examples of the Hongs' false representations in furtherance of the scheme, include, but are not limited to, the following:

(1) SUNG HONG and HYUN JOO HONG would invest the funds entrusted to them for the benefit of investors;

(2) HYUN JOO HONG held a Series 65 securities license and had formerly worked as a derivatives trader for Deutsche Bank Asia, with over $2.8 billion dollars under management;

(3) SUNG HONG was not listed in the prospectus or as part of Pishon because he had an exclusive contract with several wealthy Korean families to manage multiple billion dollars in investments;

(4) SUNG HONG and HYUN JOO HONG, through Pishon, had achieved the investment returns for Dynasty Capital Partners, LP ("Dynasty Capital") from 2002 through 2013, and that those returns were officially audited by an accounting firm;

(5) another highly credentialed individual, with the initials A.C., served as the Vice President of Pishon in an active role;

(6) an "Overview and Portfolio Outlook" and a "2017 Outlook" that touted the Hongs' views on the market.

e. SUNG HONG and HYUN JOO HONG knew that their investors would rely on their representations in deciding whether to invest with SUNG HONG, HYUN JOO HONG, and Pishon.



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f. Contrary to the representations to investors and potential investors, SUNG HONG and HYUN JOO HONG did not invest all the money entrusted to them for the benefit of investors. In fact, SUNG HONG and HYUN JOO HONG misappropriated millions of dollars of investor funds, well in excess of their purported fee arrangement, for their personal benefit to maintain their extravagant lifestyle. These personal expenses included, among other things, approximately $12,000 per month in rent for a house in Clyde Hill, Washington, hundreds of thousands of dollars on high-end vehicles, such as multiple BMWs, a Maserati, a Lamborghini, and an Aston Martin, a personal yacht named "For Grace," expensive designer clothing and apparel, and lavish vacations. SUNG HONG and HYUN JOO HONG also inappropriately retained investor funds from the SMAs set up for at least two clients.

g. SUNG HONG and HYUN JOO HONG knew that the statements made to investors, including those described above, were false and fraudulent. Specifically, SUNG HONG and HYUN JOO HONG knew: (1) HYUN JOO HONG did not possess any securities licenses, including a Series 65 securities license, and did not work as a derivatives trader for Deutsche Bank Asia; (2) SUNG HONG did not have an exclusive contract nor invest any funds for wealthy Korean families; and in truth, his name was not listed in the offering materials because of his prior federal conviction; (3) the Dynasty Capital returns stated in the Pishon prospectus were not audited, nor were they representative of the Hongs' actual investment returns; in fact, the Hongs were not authorized to use the Dynasty Capital return information to solicit investors; (4) A.C. was not a Vice President with Pishon, and he had not authorized the use of his name to solicit investors; and (5) the "Overview and Portfolio Outlook" and a "2017 Outlook" were not the Hongs' work, but rather plagiarized text from other sources.

h. In addition, with the exception of a few individuals, SUNG HONG did not inform investors and potential investors of his prior federal conviction even though he knew that it was material information that he needed to disclose. In fact, SUNG HONG failed to inform these individuals because he knew they would not invest with him or HYUN JOO HONG if he disclosed his prior fraud conviction.

i. By engaging in these acts and omissions, SUNG HONG and HYUN JOO HONG knowingly intended to defraud their victims of money or property.

j. Below is an example of the Hongs' fraudulent conduct and misuse of investor funds:

> In May 2016, investors with initials P.N. and J.N. ("Victims-1"), relying on the Hongs' false and fraudulent representations, including those described above, agreed to have the Hongs manage their investments and established an SMA to be managed by Pishon, which they funded with $185,000 of retirement savings. By December 2016, the Hongs had lost over $100,000 of Victims-1's principal investment, leaving the account balance at about $80,000.



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When confronted with the investment losses, the Hongs, again through false and fraudulent representations, convinced Victims-1 to close the SMA and instead invest their remaining funds in the Pishon hedge fund.

On January 4, 2017, Victims-1, relying on the Hongs' false representations, wired $80,000 via Fedwire, causing an interstate wire communication, from their Wells Fargo bank account to a JPMorgan Chase bank account in the name of Pishon Holding, LLC. Later that same day, without the investors' knowledge or consent, the Hongs withdrew Victims-1's $80,000 from the Pishon Holding, LLC account and deposited it into HYUN JOO HONG's personal account at JP Morgan Chase, which at the time had a balance of approximately $581.91.

Immediately following the $80,000 deposit in HYUN JOO HONG's bank account, the Hongs used the funds for personal expenses, including cash withdrawals totaling $6,000, a payment of $16,648.42 to a luxury resort for an upcoming Hong family trip to the Bahamas, and payments totaling approximately $13,914, to American Express for the Hongs' personal credit card bill.

k. According to tax records, HYUN JOO HONG declared $0 in taxable income for tax years 2012 through 2015, and did not file a return with the Internal Revenue Service (IRS) for 2016. SUNG HONG did not file a return with the IRS for tax years 2013 through 2016.

**C. Money Laundering**

a. SUNG HONG also knowingly participated with another person in a common and unlawful plan to launder the proceeds of the fraud scheme, which involved transfers of funds affecting interstate commerce. For example, and without limiting the forgoing, on multiple separate occasions in January 2017, including the example of Victims-1 set forth above, victim investors relying on the Hongs' representations transferred funds into Pishon bank accounts for investment purposes. The Hongs in turn transferred the victims' investment funds, without their knowledge, from the Pishon bank accounts to HYUN JOO HONG's personal bank account at JPMorgan Chase Bank, which the Hongs then used on personal expenses. The Hongs also transferred portions of victim funds to HYUN JOO HONG's personal brokerage account. By way of further example, SUNG HONG placed assets and funds, including proceeds of the fraud scheme, in the name of others and accounts belonging to others. Such conduct was intended in part to facilitate and perpetuate the ongoing operation, and also was designed in part to conceal the nature, source, ownership, and control of the proceeds of the criminal activity.

**D. False Statements**

a. As noted above, on January 14, 2008, SUNG HONG was ordered to pay $870,834 in restitution in *United States v. Hong*, CR07-033JLR. In an effort to collect on SUNG HONG's restitution obligation, on or about July 12, 2016, the Financial



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Litigation Unit for the United States Attorney's Office for the Western District of Washington, representing the United States Department of Justice ("DOJ"), mailed a letter to SUNG HONG. The DOJ sent the letter to SUNG HONG to inform him that the DOJ was reviewing his case file and to request additional financial information from SUNG HONG. The DOJ enclosed a Financial Disclosure Statement and requested that SUNG HONG complete it so that the DOJ could decide whether to establish a "regular monthly payment schedule or to proceed with further collection action." The Financial Disclosure Statement included the following advisement:

> "By completing and signing this financial disclosure statement, you acknowledge that the information provided will affect action by the United States Department of Justice, and further understand that any false answers can lead to the termination or nullification of any payment agreement ultimately reached, **and/or** prosecution for false statements as provided in Title 18, United States Code, Section 1001 (maximum prison sentence of five years and/or a fine of not more than $250,000)."

b. On or about August 19, 2016, SUNG HONG returned the Financial Disclosure Statement to the United States Attorney's Office. SUNG HONG filled out the Financial Disclosure Statement and initialed each page. The Financial Disclosure Statement contained a number of false statements, including, among others:

(1) SUNG HONG asserted that he and HYUN JOO HONG had no gross or net salary, commission, or other income from any present employer and no income from any other source or business, despite the fact that they were actively working on behalf of Pishon and had misappropriated, and were continuing to misappropriate, funds from investors;

(2) SUNG HONG's asserted that his in-laws were leasing the residence in Clyde Hill, Washington, in which the Hongs lived, but that he, Hyun Joo Hong, and their family merely used it since the in-laws did not occupy it all the time. In fact, SUNG HONG and HYUN JOO HONG paid approximately $12,000 per month in rent for the home using money they misappropriated from investors;

(3) SUNG HONG listed HYUN JOO HONG's occupation as "Family money from inheritance" despite knowing that HYUN JOO HONG was actively promoting herself as the Chief Executive Officer of Pishon;

(4) SUNG HONG claimed that neither he, HYUN JOO HONG, nor any entity associated with him had any accounts at any financial institutions at the time or in the past five years. In fact, HYUN JOO HONG and the Pishon entities had a number of bank and brokerage accounts open at the time and in the five years prior to August 2016.



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(5) SUNG HONG answered "no" when asked to provide information on any securities he or HYUN JOO HONG owned despite knowing that HYUN JOO HONG had a personal trading account at a broker dealer.

SUNG HONG signed the "Declaration Under Penalty of Perjury" section that stated:

> "With knowledge of the maximum penalties for false statements provided by Title 18 U.S.C. § 1001 {five (5) years imprisonment and/or a fine of not more than $250,000} and with the knowledge that this disclosure statement is submitted by me to affect action by the United States Department of Justice, I certify that the above responses are all true and correct and represent that this is a complete statement of all my income, assets, and liabilities, real and personal, either held in my name or by any others, as well as expenses as of this date."

c. On or about August 19, 2016, HYUN JOO HONG also sent the DOJ a letter through counsel, which purported to corroborate SUNG HONG's false representations in an effort to help him evade paying restitution to victims. For instance, the letter falsely stated that "Ms. Hong currently manages her own separate assets that are all inherited or were owned prior to marriage" and that "there are no community assets and there is no community income."

d. On August 13, 2016, less than a week before he submitted the sworn Statement of Financial Condition to the DOJ, SUNG HONG and HYUN JOO HONG appeared before a church congregation in California and solicited funds from potential investors, which was recorded and published on the Internet. During that presentation, the Hongs, with the intent to defraud, represented themselves as experienced investment advisors who had amassed immense personal wealth from their investments and who provided investment services with a particular motivation to replicate their alleged personal financial success for individuals of their purported shared religious faith. The church itself, having relied on similar false representations, invested $1,000,000 with the Hongs and Pishon.

The parties further agree that the Court may consider additional facts contained in the Presentence Report (subject to standard objections by the parties) and/or that may be presented by the United States or Defendant at the time of sentencing, and that the factual statement contained herein is not intended to limit the facts that the parties may present to the Court at the time of sentencing. Defendant acknowledges that the United States may present evidence of additional offense and relevant conduct as part of sentencing.

10. **United States Sentencing Guidelines**. Defendant understands and acknowledges that the Court must consider the sentencing range calculated under the



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United States Sentencing Guidelines and possible departures under the Sentencing Guidelines together with the other factors set forth in Title 18, United States Code, Section 3553(a), including: (1) the nature and circumstances of the offenses; (2) the history and characteristics of the defendant; (3) the need for the sentence to reflect the seriousness of the offenses, to promote respect for the law, and to provide just punishment for the offenses; (4) the need for the sentence to afford adequate deterrence to criminal conduct; (5) the need for the sentence to protect the public from further crimes of the defendant; (6) the need to provide the defendant with educational and vocational training, medical care, or other correctional treatment in the most effective manner; (7) the kinds of sentences available; (8) the need to provide restitution to victims; and (9) the need to avoid unwarranted sentence disparity among defendants involved in similar conduct who have similar records. Accordingly, Defendant understands and acknowledges that:

a. The Court will determine applicable Defendant's Sentencing Guidelines range at the time of sentencing;

b. After consideration of the Sentencing Guidelines and the factors in 18 U.S.C. § 3553(a), the Court may impose any sentence authorized by law, up to the maximum term authorized by law;

c. The Court is not bound by any recommendation regarding the sentence to be imposed, or by any calculation or estimation of the Sentencing Guidelines range offered by the parties or the United States Probation Department, or by any stipulations or agreements between the parties in this Plea Agreement; and

d. Defendant may not withdraw his guilty pleas solely because of the sentence imposed by the Court.

11. **Sentencing Factors**. The parties remain free to recommend the application of any Sentencing Guidelines adjustments or provisions. Defendant understands that the Court will determine the applicable Sentencing Guidelines provisions and calculate Defendant's Sentencing Guidelines range at the time of sentencing.



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Defendant further understands that the United States believes and will argue that, at minimum, the following Sentencing Guidelines provisions apply to this case:

a. A base offense level of seven (7) pursuant to U.S.S.G. § 2B1.1(a)(1), because the offense of conviction has a statutory maximum term of imprisonment of 20 years or more;

b. An enhancement of at least twenty (20) levels pursuant to U.S.S.G. § 2B1.1(b)(1), because the offense resulted in loss of an amount more than $9,500,000;

c. A four (4) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(2)(B) because the offense resulted in substantial financial hardship to five or more victims;

d. A two (2) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(9), because the offense involved (A) a misrepresentation that the defendant was acting on behalf of a charitable or religious organization, *and/or* (C) a violation of a prior specific judicial order;

e. A two (2) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(10), because the offense involved sophisticated means and the defendant engaged in or caused the conduct constituting sophisticated means;

f. A four (4) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(19), because the offense involved (A) a violation of securities law and, at the time of the offense, the defendant was "an investment advisor, or a person associated with an investment advisor," *and/or* (B) a violation of commodities law and, at the time of the offense, the defendant was "a commodities trading advisor" *or* "a commodity pool operator";[3]

g. A two (2) level enhancement pursuant to U.S.S.G. § 2S1.1(b)(2), because the defendant was convicted under 18 U.S.C. § 1956.

The parties remain free to recommend the application of any further Sentencing Guidelines adjustments. Defendant understands that at the time of sentencing, the Court is free to reject any recommended or stipulated adjustments, and is further free to apply additional downward or upward adjustments in determining Defendant's Sentencing Guidelines range.

[3] Defendant further understands that the United States believes a two (2) level enhancement pursuant to U.S.S.G. § 3B1.3, alternatively would apply if U.S.S.G. § 2B1.1(b)(19) were not to apply. *See* U.S.S.G. § 2B1.1 Application Note 15(C).



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12. **United States Recommendation Regarding Imprisonment**. The United States and Defendant agree that the parties are free to recommend and argue for any sentence allowed by law, including consecutive terms of imprisonment up to the maximum authorized by law. Except as otherwise provided in this plea agreement, the parties are free to present arguments regarding any other aspect of sentencing.

13. **Non-Prosecution of Additional Offenses**. As part of this Plea Agreement, the United States Attorney's Office for the Western District of Washington agrees to dismiss all the Counts in the Indictment and the remaining Counts in the Superseding Indictment at the time of sentencing, and agrees not to prosecute Defendant for any additional offenses known to it as of the time of this Agreement that are based upon evidence in its possession at this time, and that arise out of the conduct giving rise to this investigation. In this regard, Defendant recognizes the United States has agreed not to prosecute all of the criminal charges the evidence establishes were committed by Defendant solely because of the promises made by Defendant in this Agreement. Defendant agrees, however, that for purposes of preparing the Presentence Report, the United States Attorney's Office will provide the United States Probation Office with evidence of all conduct committed by Defendant.

Defendant agrees that any charges to be dismissed before or at the time of sentencing were substantially justified in light of the evidence available to the United States, were not vexatious, frivolous or taken in bad faith, and do not provide Defendant with a basis for any future claims under the "Hyde Amendment," Pub. L. No. 105-119 (1997).

14. **Breach, Waiver, and Post-Plea Conduct.** Defendant agrees that if Defendant breaches this Plea Agreement, the United States may withdraw from this Plea Agreement and Defendant may be prosecuted for all offenses for which the United States has evidence. Defendant agrees not to oppose any steps taken by the United States to nullify this Plea Agreement, including the filing of a motion to withdraw from the Plea Agreement. Defendant also agrees that if Defendant is in breach of this Plea Agreement,



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Defendant has waived any objection to the re-institution of any charges in the Indictment that were previously dismissed or any additional charges that had not been prosecuted.

Defendant further understands that if, after the date of this Agreement, Defendant should engage in illegal conduct, or conduct that violates any conditions of release or the conditions of his confinement, (examples of which include, but are not limited to, obstruction of justice, failure to appear for a court proceeding, criminal conduct while pending sentencing, and false statements to law enforcement agents, the Pretrial Services Officer, Probation Officer, or Court), the United States is free under this Agreement to file additional charges against Defendant or to seek a sentence that takes such conduct into consideration by requesting the Court to apply additional adjustments or enhancements in its Sentencing Guidelines calculations in order to increase the applicable advisory Guidelines range, and/or by seeking an upward departure or variance from the calculated advisory Guidelines range. Under these circumstances, the United States is free to seek such adjustments, enhancements, departures, and/or variances even if otherwise precluded by the terms of the plea agreement.

15. **Waiver of Appellate Rights and Rights to Collateral Attacks.** Defendant acknowledges that by entering the guilty pleas required by this plea agreement, Defendant waives all rights to appeal from his conviction and any pretrial rulings of the court. Defendant further agrees that, provided the court imposes a custodial sentence that is within or below the Sentencing Guidelines range as determined by the court at the time of sentencing, Defendant waives to the full extent of the law:

a. Any right conferred by Title 18, United States Code, Section 3742, to challenge, on direct appeal, the sentence imposed by the court, including any fine, restitution order, probation or supervised release conditions, or forfeiture order (if applicable); and

b. Any right to bring a collateral attack against the conviction and sentence, including any restitution order imposed, except as it may relate to the effectiveness of legal representation.



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This waiver does not preclude Defendant from bringing an appropriate motion pursuant to 28 U.S.C. § 2241, to address the conditions of his confinement or the decisions of the Bureau of Prisons regarding the execution of his sentence.

If Defendant breaches this Plea Agreement at any time by appealing or collaterally attacking (except as to effectiveness of legal representation) the conviction or sentence in any way, the United States may prosecute Defendant for any counts, including those with mandatory minimum sentences, that were dismissed or not charged pursuant to this Plea Agreement.

16. **Voluntariness of Plea**. Defendant agrees that he has entered into this Plea Agreement freely and voluntarily and that no threats or promises, other than the promises contained in this Plea Agreement, were made to induce Defendant to enter his guilty pleas.

17. **Statute of Limitations**. In the event this Agreement is not accepted by the Court for any reason, or Defendant has breached any of the terms of this Plea Agreement, the statute of limitations shall be deemed to have been tolled from the date of the Plea Agreement to: (1) thirty (30) days following the date of non-acceptance of the Plea Agreement by the Court; or (2) thirty (30) days following the date on which a breach of the Plea Agreement by Defendant is discovered by the United States Attorney's Office.

18. **Sentencing Hearing**. Defendant agrees not to oppose any request by the United States that the sentencing hearing of Defendant be continued or re-scheduled to coordinate with that of any co-defendant. Defendant acknowledges that this case involves multiple victims who by law have a right to be present and participate at the sentencing hearing.

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19. **Completeness of Agreement**. The United States and Defendant acknowledge that these terms constitute the entire Plea Agreement between the parties. This Agreement binds only the United States Attorney's Office for the Western District of Washington. It does not bind any other United States Attorney's Office or any other office or agency of the United States, or any state or local prosecutor.

Dated this 27th day of March, 2018.

SUNG HONG
Defendant

C. JAMES FRUSH
Attorney for Defendant

ANDREW C. FRIEDMAN
Assistant United States Attorney

JUSTIN W. ARNOLD
Assistant United States Attorney

STEVEN T. MASADA
Assistant United States Attorney



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The Honorable Thomas S. Zilly

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

| | |
|---|---|
| UNITED STATES OF AMERICA,<br>Plaintiff,<br><br>v.<br><br>HYUN JOO HONG,<br>aka GRACE HONG,<br><br>Defendant. | NO. CR17-163 TSZ<br><br>**PLEA AGREEMENT** |

The United States of America, by and through Annette L. Hayes, United States Attorney for the Western District of Washington, and Justin W. Arnold and Steven T. Masada, Assistant United States Attorneys, HYUN JOO HONG and her attorney, Thomas Hillier, enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(c)(1)(A) and (B):

1. **The Charge.** Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enter a guilty plea to the following charges contained in the Superseding Indictment.

a. Conspiracy to Commit Wire Fraud, as charged in Count 1, in violation of Title 18, United States Code, Section 1349;



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b. Wire Fraud, as charged in Counts 4, 8, 9 and 12, in violation of Title 18, United States Code, Section 1343.

By entering these guilty pleas, Defendant hereby waives all objections to the form of the charging document. Defendant further understands that before entering her guilty pleas, she will be placed under oath. Any statement given by Defendant under oath may be used by the United States in a prosecution for perjury or false statement.

2. **Elements of the Offenses.** The elements of the offenses to which Defendant is pleading guilty are as follows:

a. The elements of the offenses of Conspiracy to Commit Wire Fraud, as charged in Count 1, in violation of Title 18, United States Code, Section 1349, to which Defendant is pleading guilty are as follows:

*First,* two or more persons, in some way or manner, agreed to try to accomplish a common and unlawful plan to commit a fraud crime listed in Title 18 Chapter 63, namely, Wire Fraud; and

*Second,* the defendant knew the unlawful purpose of the plan and willfully joined in it.

b. The elements of the offense of Wire Fraud, as charged in Counts 4, 8, 9 and 12, in violation of Title 18, United States Code, Section 1343, are as follows:

*First*, the defendant knowingly participated in, devised, or intended to devise a scheme or plan to defraud, or a scheme or plan for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or omitted facts.

*Second*, the statements made or the facts omitted as part of the scheme were material; that is, they had a natural tendency to influence, or were capable of influencing, a person to part with money or property;

*Third*, the defendant acted with the intent to defraud; that is, the intent to deceive or cheat; and



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*Fourth*, the defendant used, or caused to be used, an interstate or foreign wire communication to carry out or attempt to carry out an essential part of the scheme.

3. **The Penalties**. Defendant understands that the statutory penalties applicable to the offenses to which she is pleading guilty are as follows:

a. For the offenses of Conspiracy to Commit Wire Fraud and Wire Fraud, as charged in Count 1 and Counts 4, 8, 9 and 12, respectively: A maximum term of imprisonment of up to twenty (20) years, a fine of up to $250,000 or twice the pecuniary gain to the defendant or losses to the victims of the offense, a period of supervision following release from prison of up to three (3) years, and a mandatory special assessment of $100.

If a probationary sentence is imposed, the probation period can be for up to five (5) years. Defendant agrees that the special assessment shall be paid at or before the time of sentencing.

Defendant understands that supervised release is a period of time following imprisonment during which she will be subject to certain restrictive conditions and requirements. Defendant further understands that if supervised release is imposed and she violates one or more of the conditions or requirements, Defendant could be returned to prison for all or part of the term of supervised release that was originally imposed. This could result in Defendant's serving a total term of imprisonment greater than the statutory maximum stated above.

Defendant understands that as a part of any sentence, in addition to any term of imprisonment and/or fine that is imposed, the Court must order Defendant to pay restitution to any victim of the offense, as required by law.

Defendant further understands that a consequence of pleading guilty may include the forfeiture of certain property either as a part of the sentence imposed by the Court, or as a result of civil judicial or administrative process.



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Defendant agrees that any monetary penalty the Court imposes, including the special assessment, fine, costs, or restitution, is due and payable immediately and further agrees to submit a completed Financial Statement of Debtor form as requested by the United States Attorney's Office.

4. **Rights Waived by Pleading Guilty.** Defendant understands that by pleading guilty, she knowingly and voluntarily waives the following rights:

a. The right to plead not guilty and to persist in a plea of not guilty;

b. The right to a speedy and public trial before a jury of her peers;

c. The right to the effective assistance of counsel at trial, including, if Defendant could not afford an attorney, the right to have the Court appoint one for her;

d. The right to be presumed innocent until guilt has been established beyond a reasonable doubt at trial;

e. The right to confront and cross-examine witnesses against Defendant at trial;

f. The right to compel or subpoena witnesses to appear on her behalf at trial;

g. The right to testify or to remain silent at trial, at which trial such silence could not be used against Defendant; and

h. The right to appeal a finding of guilt or any pretrial rulings.

5. **Ultimate Sentence**. Defendant acknowledges that no one has promised or guaranteed what sentence the Court will impose.

6. **Loss Amount.** For purposes of determining the appropriate sentence, the parties agree that the amount of loss will be determined as part of sentencing. Defendant understands that the United States believes that the total *actual* loss to victims of the offense is at least $12,778,315.98, or thereabouts, and that the intended loss as contemplated by the Sentencing Guidelines is far in excess of that amount. *See, e.g.*, U.S.S.G. § 2B1.1, Application Note 3. Defendant acknowledges that the offense caused



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actual and intended loss to victims, but reserves the right to contest the loss amount at the time of sentencing.

7. **Restitution.** Defendant shall make restitution to the victims of the offenses in the total amount of loss, to be determined at the time of sentencing, with credit for any amounts already paid. This amount shall be due and payable immediately and shall be paid in accordance with a schedule of payments as proposed by the United States Probation Office and ordered by the Court. As set forth above, Defendant understands that the United States believes and will argue that restitution is owed in the total amount of at least $12,778,315.98, or thereabouts. Defendant understands that nothing in this plea agreement prohibits victims of the conspiracy and wire fraud scheme alleged in the Superseding Indictment from asking the Court for a different amount of restitution at sentencing.

8. **Forfeiture of Assets**. Defendant understands that the forfeiture of assets is part of the sentence that must be imposed in this case. Defendant agrees that the conduct described in the Superseding Indictment and this Plea Agreement provides a sufficient factual and statutory basis for the forfeiture of the property sought by the United States.

Defendant agrees, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), to forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to an offense in violation of Title 18, United States Code, Section 1343—a specified unlawful activity as defined in Title 18, United States Code, Sections 1956(c)(7)(A) and 1961(1)(B)—as charged in Counts 4, 8, 9, and 12 of the Superseding Indictment, or a conspiracy to commit such offense, in violation of Title 18, United States Code, Section 1349, as charged in Count 1 of the Superseding Indictment, or any property traceable to such property, including but not limited to the following:

- One 2015 Aston Martin DB9 Volante, Vehicle Identification Number SCFFDAFM9FGB16266;



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- Approximately $209,261.37 in funds held in Interactive Brokers LLC account number XXXX6283, held in the name of Hyun Joo Hong;
- Approximately $6,417.42 in funds held in Interactive Brokers LLC account number XXXX9407, held in the name of Pishon Holding, LLC;
- Approximately $5,069.17 in funds held in J.P. Morgan Chase Bank, N.A. account number XXX8615, held in the name of Pishon Holding, LLC;
- Approximately $1,009.76 in funds held in J.P. Morgan Chase Bank, N.A. account number XXXXX9962, held in the name of Hyun Joo Hong;
- One ring with attached apparent colorless, transparent, round, brilliant-cut diamond weighing approximately 3.02 carats, and apparent diamonds inset on band, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One Rolex Oyster Perpetual Yacht-Master watch, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One Patek Philippe watch with apparent inset diamond, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- One gold U.S. Liberty Coin, weighing approximately one ounce, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;
- Assorted jewelry seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004, including items appearing to be: two gold metallic keys, three silver metallic earrings with inset gemstones; four gold metallic bracelets; one gemstone pearl bracelet; one silver metallic ring; one Tiffany key pendant necklace; one soccer ball pendant necklace; two gold metallic chain necklaces; two gold metallic U.S. Senate cufflinks, and one gold metallic medallion necklace; and
- A judgment for a sum of money representing any property, real or personal, that constitutes or is derived from proceeds traceable to the offenses charged in Counts 1, 4, 8, 9, and 12 of the Superseding Indictment, or any property traceable to such property.

Defendant agrees to fully assist the United States in the forfeiture of the above-described property and to take whatever steps are necessary to pass clear title to the United States, including but not limited to: surrendering title and executing any



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documents necessary to effectuate such forfeiture; assisting in bringing any assets located outside the United States within the jurisdiction of the United States; promptly consenting upon request to the entry of any orders deemed necessary by the United States or the Court to complete the forfeiture and disposition of the above-described property; and taking whatever steps are necessary to ensure that assets subject to forfeiture are not sold, disbursed, wasted, hidden, or otherwise made unavailable for forfeiture. Defendant further agrees to refrain from filing any claim in, or otherwise contesting, any administrative or judicial forfeiture proceeding that has been or may be initiated against the above-described property.

Defendant agrees to waive all constitutional and statutory challenges to forfeiture in any manner—including direct appeal, habeas corpus, or any other means—as to any forfeiture carried out in accordance with this Plea Agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. If the United States chooses to effect the forfeiture provisions of this Plea Agreement through the criminal forfeiture process, Defendant waives the requirements of Federal Rules of Criminal Procedure 11(b)(1)(J), 32.2, and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment.

The United States reserves its right to proceed against any remaining assets not identified in this Plea Agreement, including any asset in which Defendant has an interest or control, if those assets constitute or are derived from proceeds traceable to a violation of Title 18, United States Code, Section 1343 or 1349.

9. **Defendant's Statement of Facts**. Defendant admits the following facts. Defendant admits she is guilty of the offenses charged in Counts 1, 4, 8, 9, and 12:

> During the time frame for the counts of conviction, from May, 2016 through March, 2017, Hyun Joo (Grace) Hong, together with her husband Lawrence Hong, was involved in investment activity through various entities created to manage funds and investments for the benefit of investors. Grace Hong and Lawrence Hong were knowingly and willfully part of a common scheme and



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plan to commit a wire fraud upon other individuals, including those set forth below through the following interstate wires.

| Count | Date | Victim | From | To | Wire Transmission |
|---|---|---|---|---|---|
| 4 | 05/19/2016 | J.S.'s church | J.S.'s church's bank account at Wells Fargo Bank in California | Interactive Broker's bank account at Citibank in New York, for further credit to J.S.'s church's Interactive Brokers Account | $1,000,000 |
| 8 | 09/13/2016 | D.C. | GRACE HONG's email address in Washington, via gmail | D.C.'s email address in Tennessee | Email with attached prospectus |
| 9 | 09/13/2016 | K.G./M.G. | GRACE HONG's email address in Washington, via gmail | K.G.'s email address in California | Email with attached prospectus |
| 12 | 03/02/2017 | -- | GRACE HONG's email address, via gmail and a server located outside Washington | Undercover email address in Washington | Email with attached prospectus |

On the date charged in Count 4 of the Superseding Indictment, as set forth above, Ms. Hong received from an investor via wire transmission, funds to be invested by the Hongs. These funds were transferred by Ms. Hong, via wire transfers, to an Interactive Broker account created for the investors. The account was to be managed by the Hongs. Prior to receiving the funds related to Count 4, Ms. Hong made representations to the investors that she knew were false. Specifically, Ms. Hong, in order to encourage investments, assisted in preparing and disseminating material that represented that she held a Series 65 securities license and had formerly worked as a derivatives trader for Deutsche Bank Asia. These representations were untrue. To heighten investment interest, Ms. Hong assisted in preparing and disseminating materially false information and representations concerning the performance of the Hongs' businesses. Specifically, Ms. Hong wired or emailed both an "Overview and Portfolio Outlook" and a "2017 Outlook", offered as indicators of the success of the Hongs as investment advisors. That information, effectively a prospectus, did not describe the work of the Hongs. Rather, it contained plagiarized text from other sources. Ms. Hong knew these false representations were capable of influencing an investor to part with money and were sent via interstate transmissions for that purpose. Counts 8, 9 and 12 involved similar interstate transmissions of the



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prospectus by email to would be investors, knowing that the prospectus contained misrepresentations as to Ms. Hong's background and the success of the Hongs' business activity. Here too, Ms. Hong knew these false representations were capable of influencing a potential investor to part with money and were made and sent for that purpose. As to each of the counts, Ms. Hong admits her misrepresentations were made with an intent to defraud.

Defendant acknowledges that the aforementioned fact statement was prepared by Defendant. Defendant understands that the United States believes that the aforementioned fact statement addresses only a fraction of Defendant's offense conduct. Defendant further acknowledges that Defendant's willingness to only admit to the aforementioned fact statement does not in any way limit or restrict the evidence and/or facts that United States may present or that the Court will consider at sentencing. In fact, Defendant further acknowledges that Defendant's willingness to only admit to the aforementioned fact statement likely will result in the need for an evidentiary hearing as part of sentencing.

The parties further agree that the Court may consider additional facts contained in the Presentence Report (subject to standard objections by the parties) and/or that may be presented by the United States or Defendant at the time of sentencing, and that the factual statement contained herein is not intended to limit the facts that the parties may present to the Court at the time of sentencing.

10. **United States Sentencing Guidelines**. Defendant understands and acknowledges that the Court must consider the sentencing range calculated under the United States Sentencing Guidelines and possible departures under the Sentencing Guidelines together with the other factors set forth in Title 18, United States Code, Section 3553(a), including: (1) the nature and circumstances of the offenses; (2) the history and characteristics of the defendant; (3) the need for the sentence to reflect the seriousness of the offenses, to promote respect for the law, and to provide just punishment for the offenses; (4) the need for the sentence to afford adequate deterrence to criminal conduct; (5) the need for the sentence to protect the public from further crimes



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of the defendant; (6) the need to provide the defendant with educational and vocational training, medical care, or other correctional treatment in the most effective manner; (7) the kinds of sentences available; (8) the need to provide restitution to victims; and (9) the need to avoid unwarranted sentence disparity among defendants involved in similar conduct who have similar records. Accordingly, Defendant understands and acknowledges that:

a. The Court will determine applicable Defendant's Sentencing Guidelines range at the time of sentencing;

b. After consideration of the Sentencing Guidelines and the factors in 18 U.S.C. 3553(a), the Court may impose any sentence authorized by law, up to the maximum term authorized by law;

c. The Court is not bound by any recommendation regarding the sentence to be imposed, or by any calculation or estimation of the Sentencing Guidelines range offered by the parties or the United States Probation Department, or by any stipulations or agreements between the parties in this Plea Agreement; and

d. Defendant may not withdraw her guilty pleas solely because of the sentence imposed by the Court.

11. **Sentencing Factors**. The parties remain free to recommend the application of any Sentencing Guidelines adjustments or provisions. Defendant understands that the Court will determine the applicable Sentencing Guidelines provisions and calculate Defendant's Sentencing Guidelines range at the time of sentencing.

Defendant further understands that the United States believes and will argue that, at minimum, the following Sentencing Guidelines provisions apply to this case:

a. A base offense level of seven (7) pursuant to U.S.S.G. § 2B1.1(a)(1), because the offense of conviction has a statutory maximum term of imprisonment of 20 years or more;

b. An enhancement of at least twenty (20) levels pursuant to U.S.S.G. § 2B1.1(b)(1), because the offense resulted in loss of an amount more than $9,500,000;



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c. A four (4) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(2)(B) because the offense resulted in substantial financial hardship to five or more victims;

d. A two (2) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(9), because the offense involved (A) a misrepresentation that the defendant was acting on behalf of a charitable or religious organization, *and/or* (C) a violation of a prior specific judicial order;

e. A two (2) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(10), because the offense involved sophisticated means and the defendant engaged in or caused the conduct constituting sophisticated means;

f. A four (4) level enhancement pursuant to U.S.S.G. § 2B1.1(b)(19), because the offense involved (A) a violation of securities law and, at the time of the offense, the defendant was "an investment advisor, or a person associated with an investment advisor," *and/or* (B) a violation of commodities law and, at the time of the offense, the defendant was "a commodities trading advisor" *or* "a commodity pool operator."[1]

The parties remain free to recommend the application of any further Sentencing Guidelines adjustments. Defendant understands that at the time of sentencing, the Court is free to reject any recommended or stipulated adjustments, and is further free to apply additional downward or upward adjustments in determining Defendant's Sentencing Guidelines range.

12. **United States Recommendation Regarding Imprisonment**. The United States and Defendant agree that the parties are free to recommend and argue for any sentence allowed by law, including consecutive terms of imprisonment up to the maximum authorized by law. Except as otherwise provided in this plea agreement, the parties are free to present arguments regarding any other aspect of sentencing.

13. **Non-Prosecution of Additional Offenses**. As part of this Plea Agreement, the United States Attorney's Office for the Western District of Washington agrees to dismiss all remaining counts in the Superseding Indictment at the time of sentencing, and agrees not to prosecute Defendant for any additional offenses known to it as of the time

[1] Defendant further understands that the United States believes a two (2) level enhancement pursuant to U.S.S.G. § 3B1.3, alternatively would apply if U.S.S.G. § 2B1.1(b)(19) were not to apply. *See* U.S.S.G. § 2B1.1 Application Note 15(C).



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of this Agreement that are based upon evidence in its possession at this time, and that arise out of the conduct giving rise to this investigation. In this regard, Defendant recognizes the United States has agreed not to prosecute all of the criminal charges the evidence establishes were committed by Defendant solely because of the promises made by Defendant in this Agreement. Defendant agrees, however, that for purposes of preparing the Presentence Report, the United States Attorney's Office will provide the United States Probation Office with evidence of all conduct committed by Defendant.

Defendant agrees that any charges to be dismissed before or at the time of sentencing were substantially justified in light of the evidence available to the United States, were not vexatious, frivolous or taken in bad faith, and do not provide Defendant with a basis for any future claims under the "Hyde Amendment," Pub. L. No. 105-119 (1997).

14. **Breach, Waiver, and Post-Plea Conduct.** Defendant agrees that if Defendant breaches this Plea Agreement, the United States may withdraw from this Plea Agreement and Defendant may be prosecuted for all offenses for which the United States has evidence. Defendant agrees not to oppose any steps taken by the United States to nullify this Plea Agreement, including the filing of a motion to withdraw from the Plea Agreement. Defendant also agrees that if Defendant is in breach of this Plea Agreement, Defendant has waived any objection to the re-institution of any charges in the Indictment that were previously dismissed or any additional charges that had not been prosecuted.

Defendant further understands that if, after the date of this Agreement, Defendant should engage in illegal conduct, or conduct that violates any conditions of release or the conditions of his confinement, (examples of which include, but are not limited to, obstruction of justice, failure to appear for a court proceeding, criminal conduct while pending sentencing, and false statements to law enforcement agents, the Pretrial Services Officer, Probation Officer, or Court), the United States is free under this Agreement to file additional charges against Defendant or to seek a sentence that takes such conduct into consideration by requesting the Court to apply additional adjustments or



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enhancements in its Sentencing Guidelines calculations in order to increase the applicable advisory Guidelines range, and/or by seeking an upward departure or variance from the calculated advisory Guidelines range. Under these circumstances, the United States is free to seek such adjustments, enhancements, departures, and/or variances even if otherwise precluded by the terms of the plea agreement.

15. **Waiver of Appellate Rights and Rights to Collateral Attacks.** Defendant acknowledges that by entering the guilty plea required by this Plea Agreement, Defendant waives all rights to appeal from her conviction and any pretrial rulings of the court. Defendant further agrees that, provided the court imposes a custodial sentence that is within or below the Sentencing Guidelines range as determined by the court at the time of sentencing, Defendant waives to the full extent of the law:

a. Any right conferred by Title 18, United States Code, Section 3742, to challenge, on direct appeal, the sentence imposed by the court, including any fine, restitution order, probation or supervised release conditions, or forfeiture order (if applicable); and

b. Any right to bring a collateral attack against the conviction and sentence, including any restitution order imposed, except as it may relate to the effectiveness of legal representation.

This waiver does not preclude Defendant from bringing an appropriate motion pursuant to 28 U.S.C. § 2241, to address the conditions of his confinement or the decisions of the Bureau of Prisons regarding the execution of his sentence.

If Defendant breaches this Plea Agreement at any time by appealing or collaterally attacking (except as to effectiveness of legal representation) the conviction or sentence in any way, the United States may prosecute Defendant for any counts, including those with mandatory minimum sentences, that were dismissed or not charged pursuant to this Plea Agreement.

16. **Voluntariness of Plea.** Defendant agrees that she has entered into this Plea Agreement freely and voluntarily and that no threats or promises, other than the promises



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contained in this Plea Agreement, were made to induce Defendant to enter her guilty plea.

17. **Statute of Limitations**. In the event this Agreement is not accepted by the Court for any reason, or Defendant has breached any of the terms of this Plea Agreement, the statute of limitations shall be deemed to have been tolled from the date of the Plea Agreement to: (1) thirty (30) days following the date of non-acceptance of the Plea Agreement by the Court; or (2) thirty (30) days following the date on which a breach of the Plea Agreement by Defendant is discovered by the United States Attorney's Office.

18. **Immigration Consequences**. Defendant recognizes that pleading guilty may have consequences with respect to her immigration status because she is not a citizen of the United States. Under federal law, a broad range of crimes are grounds for removal, including the offense(s) to which Defendant is pleading guilty, and some offense make removal from the United States presumptively mandatory. Removal and other immigration consequences are the subject of a separate proceeding, however, and Defendant understands that no one, including her attorney or the district court, can predict to a certainty the effect of her conviction on her immigration status. Defendant nevertheless affirms that she wants to plead guilty regardless of any immigration consequences that her guilty plea may entail, even if the consequence is mandatory removal from the United States.

19. **Completeness of Agreement**. The United States and Defendant acknowledge that these terms constitute the entire Plea Agreement between the parties. This Agreement binds only the United States Attorney's Office for the Western District

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of Washington. It does not bind any other United States Attorney's Office or any other office or agency of the United States, or any state or local prosecutor.

Dated this 28th day of March, 2018.

HYUN JOO HONG (aka Grace Hong)
Defendant

THOMAS HILLIER
Attorney for Defendant

JUSTIN W. ARNOLD
Assistant United States Attorney

STEVEN T. MASADA
Assistant United States Attorney



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Honorable Thomas S. Zilly

Presented to the Court by the foreman of the Grand Jury in open Court, in the presence of the Grand Jury and FILED in the U.S. DISTRICT COURT at Seattle, Washington.

February 8 2018
WILLIAM M. McCOOL, Clerk
By Emily Nero Deputy

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

| | |
|---|---|
| UNITED STATES OF AMERICA,<br>Plaintiff,<br><br>v.<br><br>SUNG HONG,<br>aka Laurence Hong,<br>aka Lawrence Hong,<br>and<br>HYUN JOO HONG,<br>aka Grace Hong,<br><br>Defendants. | NO. CR17-163TSZ<br><br>**SUPERSEDING INDICTMENT** |

The Grand Jury charges that:

## COUNT 1

**(Conspiracy to Commit Wire Fraud)**

### A. INTRODUCTION

1. SUNG HONG, also currently known as LAURENCE HONG and formerly known as Lawrence Hong (hereinafter "LAURENCE HONG"), and HYUN JOO HONG,



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also known as GRACE HONG (hereinafter "GRACE HONG"), are husband and wife, who, until on or about June 2, 2017, resided together in Clyde Hill, Washington.

2. LAURENCE HONG has a prior federal felony conviction relating to investment fraud. At that time, LAURENCE HONG publicly used the alias name "Lawrence Hong." At some point in time thereafter, LAURENCE HONG began using the alternative alias name "Laurence Hong," a slight deviation from his prior alias.

3. From approximately March 2010 through June 2, 2017, LAURENCE HONG and GRACE HONG (collectively, "the HONGS") purportedly operated an investment advisory business (or businesses), which purported to manage funds and investments for the benefit of investors, including religious organizations and individuals with shared religious beliefs, through an affiliated hedge fund, Pishon Holding, LLC, and permutations thereof using the "Pishon" name, and in separately managed accounts (SMAs) at third-party financial firms.

4. LAURENCE HONG and GRACE HONG solicited money and investment funds by deceiving others, to include prospective and actual investors, through material misrepresentations and omissions and other deceptive means. Moreover, without authorization, LAURENCE HONG and GRACE HONG used solicited funds, or portions thereof, for their personal benefit and, in doing so, maintained an extravagant lifestyle, which included a 9,000+ square foot residence, multiple luxury vehicles, such as BMWs, Aston Martins, a Maserati, and a Lamborghini, and exotic vacations. Through further deceptive means, LAURENCE HONG and GRACE HONG concealed the misappropriation and misuse of funds and investment losses from victims and investors.

## B. RELEVANT INDIVIDUALS AND ENTITIES

5. **LAURENCE HONG:** In 2007, LAURENCE HONG pleaded guilty to one count of wire fraud in the United States District Court for the Western District of Washington, *United States v. Sung Hong*, CR07-033JLR, for planning and executing a scheme to defraud an investor. At the time of the previous conviction, LAURENCE



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HONG spelled his first name "Lawrence." LAURENCE HONG and GRACE HONG have been married to each other since 2010.

6. **GRACE HONG:** GRACE HONG served as the outward face of various investment businesses operated by LAURENCE HONG and GRACE HONG. GRACE HONG, among other things, claimed to have (1) maintained a Series 65 securities license; (2) previously worked as a derivatives trader at Deutsche Bank in Hong Kong and Korea, which had $2.5 billion dollars under management; and (3) held graduate degrees from Columbia University. As confirmed by the Financial Industry Regulatory Authority (FINRA), the responsible licensing body, GRACE HONG did not have a Series 65 license, nor had she ever taken the Series 65 exam. According to Deutsche Bank, the company has no record of employment for GRACE HONG (under her maiden or married name). At most, GRACE HONG participated in a brief internship at a Deutsche Bank office. GRACE HONG has never earned any degree from Columbia University.

7. A review of financial records for the HONGS from January 2011 to August 2017 indicates that all of their bank and brokerage accounts are held in GRACE HONG's name or the name of one of their various business entities, including those described below (collectively, "Pishon" or the "Pishon companies").

8. **Pishon Capital Mangement, LLC:** According to the Washington Secretary of State's website, Pishon Capital Management, LLC is a Washington limited liability company formed on or about April 24, 2014. GRACE HONG is listed as the registered agent and as a governor. Pishon Capital Management, LLC became inactive in December 2015.

9. **Pishon & Co, LLC:** According to the Washington Secretary of State's website, Pishon & Co, LLC is a Washington limited liability company formed on or about May 12, 2011. GRACE HONG is listed as the registered agent and governor. Pishon & Co, LLC became inactive in October 2016.

10. **The First Pishon, LLC:** According to information GRACE HONG provided when she opened a bank account in the name of The First Pishon, LLC, the



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company was formed on May 12, 2011. GRACE HONG listed herself as a member and the Chief Executive Officer (CEO) of the First Pishon, LLC.

11. **Pishon Holding, LLC:** According to the Washington Secretary of State's website, Pishon Holding, LLC is a Washington limited liability company formed on or about January 27, 2016. GRACE HONG is listed as the registered agent and governor. In a prospectus provided to investors, Pishon Holding, LLC is also referred to as Pishon Holdings, LLC.

## C. OFFENSE

12. The allegations set forth in Paragraphs 1 through 11 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

13. Beginning at a date uncertain, but approximately in or about March 2010, and continuing through on or about June 2, 2017, in King County, within the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG, and others known and unknown to the Grand Jury, did knowingly and willfully combine, conspire, confederate and agree together to commit offenses against the United States, to wit:

a. to knowingly and willfully devise and execute and attempt to execute, a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises; and in executing and attempting to execute this scheme and artifice, to knowingly cause to be transmitted in interstate and foreign commerce, by means of wire communication, certain signs, signals and sounds as further described below, in violation of Title 18, United States Code, Section 1343.

## D. OBJECTIVES OF THE CONSPIRACY

14. The objectives of the conspiracy included the defendants' personal enrichment and financial gain by inducing others to entrust and provide the defendants with money and access to funds through the use of deception and fraudulent means, including, but not limited to, various materially false representations and omissions about



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themselves, their background, experience, and qualifications as investment advisors, and their investment business, among other things.

15. The objectives of the conspiracy involved the solicitation of investments in their businesses and investor funds, which the defendants represented they would manage and strategically invest for their clients' benefit, when, in fact and without authorization, the defendants intended to use, and did use, such funds for their own purposes and personal benefit, including, but not limited to, paying personal expenses, maintaining an extravagant lifestyle, soliciting additional prospective investors and investment funds, and supporting their ongoing purported business operations. The objectives of the conspiracy further involved the perpetuation of the scheme and artifice by concealing, through deception and fraudulent means, the defendants' misappropriation and misuse of funds and the investment losses from victims and investors.

**E. MANNER AND MEANS OF THE CONSPIRACY**

16. The manner and means used to accomplish the conspiracy included the following:

a. LAURENCE HONG and GRACE HONG formed and registered various business entities, such as the Pishon companies, that purported to provide investment and asset management services, each of which was registered using only GRACE HONG's name in order to conceal LAURENCE HONG's involvement and past criminal exploits.

b. LAURENCE HONG and GRACE HONG solicited funds, in the form of investments and loans, in relation to establishing and operating one or more investment businesses and hedge funds based on material misrepresentations, including, but not limited to, false representations regarding their background, qualifications, assets, and investment strategy.

c. LAURENCE HONG and GRACE HONG typically targeted religious institutions, congregation members, and individuals of shared religious beliefs for solicitation. The HONGS used, and exploited, this perceived common faith and



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devotion to build a particularly high degree of rapport and trust with their clients and investors.

d. For example, on or about August 13, 2016, LAURENCE HONG and GRACE HONG appeared and presented at the Lancaster Prophetic Conference, held at a church in California, at which they made numerous false representations, as discussed herein. As the HONGS were aware, the conference presentations, including their presentation to the congregation, were video recorded and publicly published on the Internet. During their presentation, LAURENCE HONG and GRACE HONG, with the intent to defraud, represented themselves as experienced investment advisors who had amassed immense personal wealth from their investments and who provided investment services with a particular motivation to replicate their claimed personal financial success for individuals of their purported shared religious faith. The church itself, relying on similar false representations to a church representative with initials J.S., invested $1,000,000 of charitable donations with the HONGS.

e. LAURENCE HONG and GRACE HONG falsely told investors that they had achieved immense personal wealth and financial success through investment strategies that they were motivated, by their religious faith, to share with and employ for the benefit of individuals of shared religious beliefs and to honor and promote religious ideals. In reality, LAURENCE HONG and GRACE HONG manufactured the appearance of personal wealth and financial success through the misuse and misappropriation of investment funds.

f. LAURENCE HONG and GRACE HONG falsely told investors that they were heavily involved in charitable and religious works, including, but not limited to, making false and misleading representations regarding past and future mission trips, donations, and charitable giving, to falsely portray their personal wealth and financial success, to legitimize and exaggerate their purported personal religious devotion, and to thereby induce prospective and actual investors, particularly of shared religious beliefs, to trust them, their judgment, and their sincerity and motivations. In reality, most, if not all,



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of any actual donations and charitable giving by LAURENCE HONG and GRACE HONG were financed, either directly or indirectly, through the misuse and misappropriation of investment funds.

g. LAURENCE HONG and GRACE HONG opened bank accounts in the name of various Pishon companies, to which they directed investor fund deposits and transfers. In reality, LAURENCE HONG and GRACE HONG used these business accounts to pay for personal expenses and to further funnel investor funds to personal accounts, typically GRACE HONG's bank account, without investors' knowledge or authorization.

h. LAURENCE HONG and GRACE HONG, in marketing materials, correspondence, communications, presentations, and face-to-face meetings, made numerous material misrepresentations and omissions to solicit and induce potential and actual investors to entrust them with and transmit funds, by means of wire in interstate commerce, for the HONGS to manage.

i. LAURENCE HONG and GRACE HONG did not disclose LAURENCE HONG's prior federal felony conviction for investment fraud, his criminal sentence, or his prior fraudulent conduct. In fact, it appears that LAURENCE HONG changed one letter in his alias, i.e., from "Lawrence" to "Laurence," in order to conceal, and in turn deceive others about, his criminal past. On the rare occasion, when an individual learned of and raised questions about LAURENCE HONG's prior conviction, LAURENCE HONG and GRACE HONG provided further materially false and misleading information about the circumstances of his prior case and criminal conduct.

j. LAURENCE HONG and GRACE HONG falsely represented that LAURENCE HONG managed multiple billions of dollars for several extremely wealthy Korean families abroad. In fact, in a further effort to conceal his prior conviction, LAURENCE HONG and GRACE HONG falsely told prospective and actual investors that, although he would participate in the management of investor funds, LAURENCE HONG's name could not appear on the Pishon companies or in the Pishon prospectus



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because he had an exclusive contract with these fictitious Korean families to manage the fictitious billions of dollars.

k. LAURENCE HONG and GRACE HONG falsely represented that GRACE HONG held a Series 65 securities license, which, in fact, she never possessed.

l. LAURENCE HONG and GRACE HONG falsely represented that GRACE HONG had significant asset management experience, including prior employment as a derivatives trader at Deutsche Bank, a distinguished global banking and financial services company, for which she never actually worked in such a capacity.

m. LAURENCE HONG and GRACE HONG falsely represented that GRACE HONG held a variety of degrees and certifications from prestigious institutions that she did not actually possess. For example, GRACE HONG falsely told others, including prospective and actual investors, that she had earned and possessed a Masters of Business Administration (MBA) from Columbia University, a prestigious Ivy League institution. On other occasions, GRACE HONG falsely claimed to hold a Juris Doctor (JD) from Columbia. By way of further example, GRACE HONG falsely told others, including prospective and actual investors, that she was a candidate for an investment management certificate from the Wharton School, the acclaimed business school of the University of Pennsylvania, another prestigious Ivy League institution.

n. LAURENCE HONG and GRACE HONG solicited investors by falsely representing that they would invest funds entrusted to them for the benefit of investors; and that their fee was strictly limited to 25% of investment gains (high-water mark), which meant that the HONGS only paid themselves a portion of investors' financial gains above and beyond investors' principal investment.

o. LAURENCE HONG and GRACE HONG created and distributed to potential and actual investors one or more investment prospectuses for Pishon, which contained various false and fraudulent representations. For example, in addition to various misrepresentations set forth herein, the Pishon prospectus (i) falsely and misleadingly represented their record and historical investment performance, including,



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but not limited to, performance statistics during years before Pishon was in existence, and while LAURENCE HONG was incarcerated on his prior federal conviction; (ii) falsely asserted that the performance record set forth in the prospectus had been fully audited by an auditing firm; (iii) contained an investment outlook that the HONGS claimed as their own work, which, in fact, was plagiarized from another source; and (iv) falsely claimed that a highly credentialed individual was involved in the management and operation of Pishon.

p. For example, on or about August 24, 2016, GRACE HONG emailed solicitation material, including a Pishon prospectus, to individuals with initials C.E. and E.E., in Idaho. Similarly, on or about September 13, 2016, GRACE HONG emailed Pishon prospectuses to prospective investors, D.C., in Tennessee, and to K.G. and M.G., in California. The above-referenced individuals, relying on the prospectus and other information provided by the defendants, transferred funds to the HONGS for investment purposes.

q. By way of further example, on or about March 2, 2017, GRACE HONG emailed a Pishon prospectus to a prospective investor who expressed interest in investing more than a million dollars in Pishon. On or about March 3, 2017, LAURENCE HONG and GRACE HONG participated in a telephone conversation with this prospective investor, during which they provided numerous false statements and representations, including, but not limited to, those described in this paragraph.

r. LAURENCE HONG and GRACE HONG provided plagiarized investment material and outlooks to investors, which they represented as their own.

s. LAURENCE HONG and GRACE HONG made similar material misrepresentations and omissions to others regarding the security of their investment principal and the risk of loss, including, but not limited to, preparing and providing promissory notes to prospective and actual investors.

t. LAURENCE HONG and GRACE HONG induced and instructed individuals investing with Pishon through SMAs to provide particular responses in the



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application process with the third-party financial firms. For example, GRACE HONG provided investors directions as to the specific representations required on the application forms, which in many cases was not true, to permit the HONGS access to and control over the investor accounts.

u. LAURENCE HONG and GRACE HONG made similar material misrepresentations and omissions to solicit and induce others to enter a business relationship, involving, among other things, the infusion of funds and the recruitment of additional investors and investor funds. For example, LAURENCE HONG and GRACE HONG induced one or more investors to actively recruit additional investors for Pishon in exchange for a modest percentage or fee.

v. LAURENCE HONG and GRACE HONG made similar material misrepresentations and omissions to induce others to promote and advance what the victims believed to be a legitimate investment advisory business.

w. LAURENCE HONG and GRACE HONG at times falsely represented that they had direct and personal relationships with prominent investment professionals and had special, often exclusive, access to particular investment vehicles.

x. With respect to investor funds actually invested, LAURENCE HONG and GRACE HONG took aggressive investment positions, largely involving futures contracts, that carried high potential returns but extreme risk of loss. In the large majority of cases, LAURENCE HONG and GRACE HONG endured heavy investment losses, which they often concealed from or, when questioned, explained to investors through false and fraudulent representations. On many occasions, contrary to the fee agreement and without authorization, LAURENCE HONG and GRACE HONG would transfer investor funds to which they were not entitled to other accounts under their control for personal use.

y. LAURENCE HONG and GRACE HONG provided investors with false and misleading information regarding the use of their funds and the performance of their purported investments. For example, in April 2015, the HONGS provided to an



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investor in California a fabricated account statement that materially misstated the account's investment performance and balance for the period from January 1, 2014, through March 31, 2015.

z. When investors raised concerns regarding significant losses in SMAs, LAURENCE HONG and GRACE HONG, through false and fraudulent representations, often attempted to convince and did convince investors to move their remaining investment funds to the Pishon hedge fund where the HONGS' claimed their funds would be pooled with the HONGS' investment funds and other investors' funds, which would enable access to additional investment opportunities and higher investment returns.

aa. LAURENCE HONG and GRACE HONG diverted and misappropriated funds to which they were not entitled. The HONGS redirected investment funds, without the authorization from or knowledge of the investors, to their personal accounts, which they then used for personal expenses.

bb. For example, in May 2016, individuals with initials P.N. and J.N., relying on the HONGS' false and fraudulent representations, established an SMA to be managed by Pishon, which they funded with $185,000 of retirement funds. By December 2016, the HONGS had lost over $100,000 of P.N. and J.N.'s principal investment, leaving the account balance at about $80,000. In response to such losses, P.N. and J.N., relying on the HONGS' false and fraudulent representations, agreed to invest their remaining funds in the Pishon hedge fund. P.N. signed an investment agreement with Pishon Holding, LLC and, on or about January 4, 2017, wired the $80,000 to a bank account in the name of Pishon Holding, LLC. That same day, without P.N.'s or J.N.'s knowledge or authorization, GRACE HONG withdrew the $80,000 from the Pishon Holding, LLC account and deposited the funds into an account in GRACE HONG's name, which had a prior balance of approximately $581.91. Immediately following the $80,000 deposit in GRACE HONG's account, GRACE HONG directed a payment of approximately $16,648 to a high-end resort in the Bahamas for an upcoming family vacation, withdrew



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approximately $6,000 in cash, and made payments totaling approximately $13,914 to American Express for a credit card used for personal expenses.

cc. By way of further example, in about May 2016, individuals with initials M.S. and S.S., relying on the HONGS' false and fraudulent representations, established an SMA to be managed by Pishon, which they funded with $700,000, the proceeds from the sale of a house. By December 2016, the HONGS had lost over $132,000 of M.S. and S.S.'s principal investment and taken over $46,000 to which they were not entitled, leaving the account balance at about $512,000. In response to such losses, M.S. and S.S., relying on the HONGS' false and fraudulent representations, agreed to invest their remaining funds in the Pishon hedge fund. On or about January 5, 2017, M.S. and S.S., at the HONGS' direction, transferred $500,000 to a bank account in the name of Pishon & Co LLC, which at that time had an account balance of less than $1,500. That same day, without M.S.'s or S.S.'s knowledge or authorization, the HONGs transferred $456,000 from the Pishon & Co LLC account to GRACE HONG's bank account. That same day and on the days following, GRACE HONG used funds in her account for personal expenditures, including, but not limited to, paying the HONGS' credit card bills, utility bill, and nanny. On or about January 10, 2017, the HONGS transferred another $40,000 from the Pishon & Co LLC account to GRACE HONG's account, as well as $150,000 from the Pishon Holding, LLC account, which included $100,000 recently deposited by solicited Pishon investors with initials C.E. and E.E.

All in violation of Title 18, United States Code, Section 1349.

## COUNTS 2 – 12

### (Wire Fraud)

17. The allegations set forth in Paragraphs 1 through 16 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

### A. SCHEME AND ARTIFICE TO DEFRAUD

18. Beginning at a date uncertain, but approximately in or about March 2010, and continuing through on or about June 2, 2017, in King County, within the Western



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District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG knowingly devised and intended to devise a scheme and artifice to defraud investors, both actual and prospective, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and material omissions, as further described below.

19. The essence of the defendants' scheme and artifice to defraud was to obtain money by soliciting investors by means of materially false and fraudulent pretenses, representations, promises, and material omissions; and, through similar means, to divert and misappropriate portions of investor funds to themselves and for their own personal benefit and to conceal the defendants' diversions and misappropriations, and the significant investment losses the defendants caused. The essence of the defendants' scheme and artifice to defraud is further set forth in Paragraphs 14 and 15 of Count 1 of this Superseding Indictment.

**B. MANNER AND MEANS OF SCHEME AND ARTIFICE TO DEFRAUD**

20. The manner and means of the scheme and artifice to defraud are set forth in Paragraph 16 of Count 1 of this Superseding Indictment.

21. As a result of the scheme and artifice to defraud, LAURENCE HONG and GRACE HONG caused losses to approximately 50 individuals, totaling approximately $12.6 million ($12,600,000).

**C. EXECUTION OF THE SCHEME AND ARTIFICE TO DEFRAUD**

22. On or about the dates set forth below, at King County, in the Western District of Washington, and elsewhere, defendants LAURENCE HONG and GRACE HONG, having devised a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, did knowingly transmit and cause to be transmitted writings, signs, signals, pictures, and sounds for the purpose of executing such scheme by means of wire communication in interstate commerce, including the following transmissions:



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| Count | Date | Victim | From | To | Wire Transmission |
|---|---|---|---|---|---|
| 2 | 09/13/2013 | P.B./M.B. | GRACE HONG's email address, via gmail and a server located outside Washington | P.B.'s email address in Washington | Email with attached investor contract |
| 3 | 07/11/2014 | C.S./A.S. | C.S. and A.S's bank account at JP Morgan Chase ("Chase") Bank in Washington, via interstate Fedwire | The First Pishon LLC business bank account ending in 8370 at UniBank in Washington | $250,000 wire |
| 4 | 05/19/2016 | J.S.'s church | J.S.'s church's bank account at Wells Fargo Bank in California | Interactive Broker's bank account at Citibank in New York, for further credit to J.S.'s church's Interactive Brokers Account | $1,000,000 |
| 5 | 06/08/2016 | C.V./M.V. | M.V.'s bank account at UniBank in Washington, via interstate Fedwire | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $85,000 wire |
| 6 | 07/08/2016 | M.S./S.S. | M.S. and S.S.'s bank account at Chase Bank in Washington | Interactive Broker's bank account at Citibank in New York, for further credit to M.S.'s Interactive Brokers account | $600,000 wire |



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| Count | Date | Victim | From | To | Wire Transmission |
|---|---|---|---|---|---|
| 7 | 08/24/2016 | C.E./E.E. | GRACE HONG's email address in Washington, via gmail | C.E.'s email address in Idaho | Email with attached prospectus |
| 8 | 09/13/2016 | D.C. | GRACE HONG's email address in Washington, via gmail | D.C.'s email address in Tennessee | Email with attached prospectus |
| 9 | 09/13/2016 | K.G./M.G. | GRACE HONG's email address in Washington, via gmail | K.G.'s email address in California | Email with attached prospectus |
| 10 | 01/04/2017 | P.N./J.N. | P.N.'s bank account at Wells Fargo bank in Washington, via interstate Fedwire | Pishon Holding LLC business bank account ending 8165 at Chase Bank in Washington | $80,000 wire |
| 11 | 01/06/2017 | C.E./E.E. | E.E.'s bank account at SchoolsFirst Federal Credit Union in Idaho, via interstate Fedwire | Pishon Holding LLC business bank account ending 8165 at Chase Bank in Washington | $100,000 wire |
| 12 | 03/02/2017 | -- | GRACE HONG's email address, via gmail and a server located outside Washington | Undercover email address in Washington | Email with attached prospectus |

All in violation of Title 18, United States Code, Sections 1343 and 2.



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**COUNT 13**

**(Aggravated Identity Theft)**

23. The allegations set forth in Paragraphs 1 through 22 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

24. Beginning at a date unknown, and continuing until on or after March 2, 2017, at King County, within the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG did knowingly transfer, possess, and use, without lawful authority, a means of identification of another person, to wit: the name of a real person, A.C., during and in relation to a felony violation enumerated in 18 U.S.C. § 1028A(c), that is, conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 1349, as charged in Count 1, and wire fraud, in violation of Title 18, United States Code, Section 1343, as charged in Counts 2, 7, 8, 9 and 12, knowing that the means of identification belonged to another actual person.

All in violation of Title 18, United States Code, Sections 1028A(a) and 2.

**COUNTS 14 – 16**

**(Laundering of Monetary Instruments)**

25. The allegations set forth in Paragraphs 1 through 24 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

26. On or about the dates set forth below, in King County, within the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG, did knowingly conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, that is, transferring funds between and among bank accounts, which involved the proceeds of a specified unlawful activity, that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343, knowing that the transaction was designed in whole and in part to conceal and disguise, the nature, location, source, ownership, and control of the proceeds of the specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the



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property involved in the financial transaction represented the proceeds of some form of unlawful activity:

| Count | Date | Sent From | Sent To | Amount |
|---|---|---|---|---|
| 14 | 01/04/2017 | Pishon Holding LLC business bank account ending 8165 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $80,000 |
| 15 | 01/05/2017 | Pishon & Co. LLC business bank account ending 1350 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $456,000 |
| 16 | 01/10/2017 | Pishon & Co. LLC business bank account ending 1350 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $40,000 |

All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

**COUNTS 17 – 20**

**(Transacting in Criminally Derived Property)**

27. The allegations set forth in Paragraphs 1 through 26 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

28. On or about the dates set forth below, in King County, within the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG, did knowingly engage and attempt to engage in the following monetary transactions by, through and to a financial institution, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, that is the transfer of funds, such property having been derived from a specified unlawful activity,



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that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343:

| Count | Date | Sent From | Sent To | Amount |
|---|---|---|---|---|
| 17 | 01/04/2017 | Pishon Holding LLC business bank account ending 8165 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $80,000 |
| 18 | 01/04/2017 | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | Brookfield Hospitality Properties' bank account at Wells Fargo Bank outside Washington | $16,648.42 |
| 19 | 01/05/2017 | Pishon & Co. business bank account ending 1350 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $456,000 |
| 20 | 01/10/2017 | Pishon & Co. business bank account ending 1350 at Chase Bank in Washington | GRACE HONG's personal bank account ending in 9962 at Chase Bank in Washington | $40,000 |

All in violation of Title 18, United States Code, Sections 1957 and 2.

## COUNT 21

**(Conspiracy to Launder Monetary Instruments)**

29. The allegations set forth in Paragraphs 1 through 28 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

**A. OFFENSE AND OBJECTS OF THE CONSPIRACY**

30. Beginning at a date uncertain, but no earlier than in or before than May 2011 through on or about June 2, 2017, in King County, in the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG did knowingly combine, conspire, and agree with each other and with other persons known and unknown



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to the Grand Jury to commit offenses against the United States in violation of Title 18, United States Code Sections 1956 and 1957, to wit:

a. to knowingly conduct and attempt to conduct financial transactions affecting interstate commerce and foreign commerce, which transactions involved the proceeds of specified unlawful activity, that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343, knowing that the transactions were designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i); and

b. to knowingly engage and attempt to engage, in monetary transactions by, through or to a financial institution, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, that is, transfers of funds between and among bank accounts, such property having been derived from a specified unlawful activity, that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343, in violation of Title 18, United States Code, Section 1957.

**B. MANNER AND MEANS OF THE CONSPIRACY**

31. It was part of the conspiracy that LAURENCE HONG and GRACE HONG conducted financial transactions involving proceeds of wire fraud: (i) in order to conceal and disguise the nature, location, source, ownership, and control of the fraudulent proceeds, including, without limitation, as set forth in Counts 14 through 16, and (ii) of a value greater than $10,000, including, without limitation, as set forth in Counts 17 through 20.

All in violation of Title 18, United States Code, Section 1956(h).



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## COUNT 22

**(Conspiracy to Defraud the United States)**

32. The allegations set forth in Paragraphs 1 through 31 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

**A. OFFENSE**

33. Beginning at a date uncertain, but approximately in or before May 2011 through on or about June 2, 2017, in King County, in the Western District of Washington, and elsewhere, the defendants LAURENCE HONG and GRACE HONG knowingly and willfully combined, conspired, and agreed together and with each other, to defraud the United States of and concerning its governmental functions and rights, by impairing, obstructing, and defeating, through deceitful and dishonest means, the lawful functions of: the United States Department of Justice in collecting lawfully court-ordered restitution.

**B. OBJECTIVES OF THE CONSPIRACY**

34. The objectives of the conspiracy were to impede, impair, obstruct, and defeat, through deceitful and dishonest means the Department of Justice's collection of court-ordered restitution, of approximately $870,834, owed by LAURENCE HONG. The objectives of the conspiracy further involved the use of false and fraudulent representations to deceive the United States Department of Justice, including the Financial Litigation Unit for the United States Attorney's Office for the Western District of Washington, in Seattle, Washington, about the defendants' financial circumstances, including, but not limited to, the defendants' employment, assets, income, and income sources, and materially misrepresenting LAURENCE HONG's ability to make payments toward and satisfy a restitution order imposed in *United States v. Sung Hong*, CR07-033JLR. Accordingly, the objectives of the conspiracy included the achievement of financial gain to the defendants.



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**C. MANNER AND MEANS OF THE CONSPIRACY**

35. It was a part of the conspiracy that the defendants would by deceit, craft, trickery, and dishonest means, defraud the United States by interfering with and obstructing the lawful governmental functions of the United States Department of Justice:

a. On January 14, 2008, LAURENCE HONG was sentenced and ordered to pay $870,834 in restitution to one or more victims in *United States v. Sung Hong*, CR07-033JLR. The judgment required LAURENCE HONG, to the extent possible, to make payments toward the satisfaction of that restitution obligation.

b. Following his release from custody, LAURENCE HONG claimed an extremely limited ability to make payments toward that restitution obligation. Despite that claim, LAURENCE HONG and GRACE HONG lived a lavish lifestyle.

c. LAURENCE HONG and GRACE HONG falsely claimed that the funds used to finance their lavish lifestyle solely originated from GRACE HONG and her family, such as from inheritance, and was not subject to LAURENCE HONG's restitution obligation.

d. In order to feign good faith, LAURENCE HONG made modest periodic payments toward his restitution obligation.

e. LAURENCE HONG and GRACE HONG falsely represented that LAURENCE HONG, for a period, maintained legitimate employment and earned a modest wage at a certain employer, Grace Diamonds, following his release from custody and during his term of court-imposed supervised release. In actuality, GRACE HONG provided the funds that were then purportedly paid to LAURENCE HONG as his reported employment wages.

f. LAURENCE HONG and GRACE HONG falsely represented that LAURENCE HONG thereafter maintained no employment and had no income whatsoever; instead, serving as the stay-at-home full-time caregiver of the HONGS' children. In reality, LAURENCE HONG and GRACE HONG employed two nannies to



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care for their children and perform household duties, while LAURENCE HONG and GRACE HONG advanced the Pishon business scheme.

g. LAURENCE HONG and GRACE HONG did not disclose information regarding Pishon or the investment advisory businesses that they registered and purported to operate.

h. LAURENCE HONG and GRACE HONG took various steps to create the false appearance that all of their assets and income separately belonged to GRACE HONG. For example, LAURENCE HONG and GRACE HONG maintained accounts, including bank and brokerage accounts, only in GRACE HONG's name or in the name of corporate entities.

i. LAURENCE HONG and GRACE HONG formed and registered various business entities, such as the Pishon companies, that purported to provide investment and asset management services, but did so only using only GRACE HONG's name in order to conceal LAURENCE HONG's involvement.

j. LAURENCE HONG and GRACE HONG, together and separately, knowingly provided false and fraudulent information to the United States Department of Justice, including, but not limited to, materially misrepresenting their ownership of assets, the existence of community property, their employment status and prospects, and ultimately LAURENCE HONG's ability to pay restitution, in whole or in part, to his investment fraud victims.

k. LAURENCE HONG and GRACE HONG failed to accurately report their taxable income and assets to the appropriate government representatives as required by law. For example, GRACE HONG declared $0 in taxable income for tax years 2012 through 2015, and did not file a return with the Internal Revenue Service (IRS) for 2016. LAURENCE HONG did not file a return with the IRS for tax years 2013 through 2016.



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**D. OVERT ACTS**

36. In furtherance of the conspiracy, and to achieve the objects thereof, the defendants did commit and cause to be committed, the following overt acts, among others, with the intent to defraud, in the Western District of Washington and elsewhere:

a. LAURENCE HONG and GRACE HONG collaborated to fabricate and embellish LAURENCE HONG's employment reported to government representatives. For example, on or about August 15, 2012, GRACE HONG made payment by check to "Grace Diamonds Co" in the amount of approximately $1,943.96, with the memo entry "Aug paycheck." LAURENCE HONG received and then reported to government representatives that amount or thereabouts as wages from claimed employment at Grace Diamonds. LAURENCE HONG and GRACE HONG engaged in similar conduct during other months.

b. LAURENCE HONG and GRACE HONG rented their residence in only GRACE HONG's name. For example, on or about November 30, 2015, GRACE HONG submitted, directly and through an intermediary, a tenant application to rent a 9,000+ square foot residence located in Clyde Hill, Washington, that contained multiple false representations intended to deceive the landlords and conceal any association with LAURENCE HONG. GRACE HONG claimed the following:

i. The residence was to be occupied only by GRACE HONG and two children, purposefully omitting LAURENCE HONG as an intended occupant.

ii. No person occupying the household had ever been found guilty of a crime.

iii. For the past four years, GRACE HONG served as the President of "Pishon & Co, LLC" and earned a salary of $950,000 per year.

iv. GRACE HONG formerly was employed for over five years as a derivatives trader at Deutsche Bank and earned a salary of $470,000 per year.

c. On or about June 29, 2015, GRACE HONG made various false and fraudulent representations regarding Pishon and LAURENCE HONG and GRACE



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HONG to a representative of the Internal Revenue Service (IRS), including, among other things, that LAURENCE HONG was self-employed in the import/export consulting business and that Pishon was in the business of managing a futures hedge fund, but currently had no business activity and therefore reported no income.

d. On or about August 19, 2016, LAURENCE HONG submitted a letter to the United States Attorney's Office for the Western District of Washington, in Seattle, Washington, containing various materially false statements, including, but not limited to, the following:

i. LAURENCE HONG "was let go of [his] employment at Grace Diamonds due to them [sic] closing their offices in Seattle and relocating to Korea."

ii. Since then, LAURENCE HONG had not been employed and served as the full-time caregiver of the HONGS' children.

iii. GRACE HONG had a separate property agreement, and she and LAURENCE HONG had no community property or assets.

iv. The funds used to make partial payments toward LAURENCE HONG's restitution obligation were a gift from GRACE HONG's separate property.

e. On or about August 19, 2016, LAURENCE HONG submitted to the Financial Litigation Unit for the United States Attorney's Office for the Western District of Washington, in Seattle, Washington, under penalty of perjury, a Financial Disclosure Statement containing materially false and fraudulent statements and representations regarding his and GRACE HONG's income, occupation, assets and accounts, and living situation, which LAURENCE HONG then and there knew to be false. For example, LAURENCE HONG claimed, among other things, the following:

i. GRACE HONG had no gross or net salary, commission, or other income from any present employer and no income from any other source or business, despite the fact that they were actively working on behalf of Pishon and had misappropriated, and were continuing to misappropriate, funds from investors.



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ii. LAURENCE HONG's in-laws were leasing the residence in Clyde Hill, Washington, in which the HONGS lived, but that LAURENCE HONG, GRACE HONG, and their children merely used it since the in-laws did not occupy it all the time. In fact, LAURENCE HONG and GRACE HONG paid approximately $12,000 per month in rent for the house, using money they misappropriated from investors.

iii. GRACE HONG's occupation was "Family money from inheritance" despite knowing that GRACE HONG served as and was actively promoting herself as the CEO of Pishon.

iv. Neither LAURENCE HONG, nor GRACE HONG, nor any entity associated with him had any accounts at any financial institutions at the time or in the past five years. In fact, GRACE HONG and the Pishon entities had a number of bank and brokerage accounts open at the time and in the five years prior to August 2016.

v. Neither LAURENCE HONG nor GRACE HONG owned any securities, despite their operation of an investment business and GRACE HONG's personal trading account at a broker dealer.

f. On or about August 19, 2016, GRACE HONG also submitted a letter, through an attorney, to the United States Attorney's Office for the Western District of Washington, in Seattle, Washington, containing materially false statements that purported to corroborate LAURENCE HONG's false representations in an effort to help him evade paying restitution to victims. For instance, the letter falsely stated that "Ms. Hong currently manages her own separate assets that are all inherited or were owned prior to marriage" and that "there are no community assets and there is no community income."

All in violation of Title 18, United States Code, Section 371.

## COUNT 23

**(False Statements)**

37. The allegations set forth in Paragraphs 1 through 36 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.



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38. On or about August 19, 2016, in King County, in the Western District of Washington, and elsewhere, the defendant LAURENCE HONG did willfully and knowingly make a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the executive branch of the Government of the United States, by completing and submitting to the United States Department of Justice, specifically, to the Financial Litigation Unit for the United States Attorney's Office for the Western District of Washington, in Seattle, Washington, under penalty of perjury, a letter and Financial Disclosure Statement that stated:

i. LAURENCE HONG "was let go of [his] employment at Grace Diamonds due to them [sic] closing their offices in Seattle and relocating to Korea."

ii. Since then, LAURENCE HONG had not been employed and served as the full-time caregiver of the HONGS' children.

iii. The funds used to make partial payments toward LAURENCE HONG's restitution obligation were a gift from GRACE HONG's separate property.

iv. Grace Hong had no gross or net salary, commission, or other income from any present employer and no income from any other source or business.

v. LAURENCE HONG's in-laws were leasing the residence in Clyde Hill, Washington, in which the HONGS lived, but that LAURENCE HONG, Grace Hong, and their children merely used it since the in-laws did not occupy it all the time.

vi. Grace Hong's occupation was "Family money from inheritance."

vii. Neither LAURENCE HONG, nor Grace Hong, nor any entity associated with him had any accounts at any financial institutions at the time or in the past five years.

viii. Neither LAURENCE HONG nor Grace Hong owned any securities or any other instrument or account with a value in excess of $500, despite their operation of an investment business and Grace Hong's personal trading account at a broker dealer.



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The statements and representations were false because, as LAURENCE HONG then and there knew:

i. LAURENCE HONG was not actually employed and compensated by Grace Diamonds, in that LAURENCE HONG and Grace Hong paid money to Grace Diamonds to cover LAURENCE HONG's compensation.

ii. LAURENCE HONG was actively managing money for investors with GRACE HONG through Pishon and the HONGS had two nannies to assist in raising their children.

iii. The funds used to make partial payments toward LAURENCE HONG's restitution obligation were proceeds of LAURENCE HONG and Grace Hong's investment fraud.

iv. LAURENCE HONG and Grace Hong were actively working on behalf of Pishon and had misappropriated, and were continuing to misappropriate, funds from investors.

v. Grace Hong applied for and agreed to rent the HONGS' residence in Clyde Hill, Washington, and LAURENCE HONG and Grace Hong paid approximately $12,000 per month in rent for the house, using money they misappropriated from investors.

vi. Grace Hong served as, and was actively promoting herself as, the CEO of Pishon.

vii. Grace Hong and the Pishon entities had a number of bank and brokerage accounts open at the time and in the five years prior to August 2016.

viii. LAURENCE HONG and Grace Hong operated Pishon, a purported hedge fund, and Grace Hong maintained a personal brokerage account that had a value well in excess of $500, in which the HONGS' traded securities and other instruments.

All in violation of Title 18, United States Code, Sections 1001(a)(2) and 2.



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**COUNT 24**

**(False Statements)**

39. The allegations set forth in Paragraphs 1 through 38 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

40. On or about June 29, 2015, in King County, in the Western District of Washington, and elsewhere, the defendant GRACE HONG did willfully and knowingly make materially false, fictitious, and fraudulent statements and representations in a matter within the jurisdiction of the executive branch of the Government of the United States, by providing materially false, fictitious, and fraudulent statements and representations to the Department of the Treasury, specifically, the Internal Revenue Service (IRS), by stating:

i. Laurence Hong was self-employed in the import/export consulting business.

ii. Pishon currently had no business activity and therefore reported no income.

iii. Pishon would never take custody of its clients' funds.

iv. The money D.A. provided to GRACE HONG and Laurence Hong was not for investment but rather a loan.

The statements and representations were false because, as GRACE HONG then and there knew:



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i. Laurence Hong was not self-employed in the import/export business, but rather operating Pishon together with GRACE HONG.

ii. GRACE HONG and Laurence Hong were actively managing investors' funds through Pishon, and were generating income through the misappropriation of investor funds.

iii. Pishon had already taken custody of client funds, and continued to do so.

iv. The money D.A. provided to GRACE HONG and Laurence Hong was for investment purposes, and not a personal loan.

All in violation of Title 18, United States Code, Sections 1001(a)(2) and 2.

## FORFEITURE ALLEGATIONS

**(Conspiracy to Commit Wire Fraud; Wire Fraud)**

41. The allegations contained in Counts 1 through 12 of this Superseding Indictment are hereby realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) with Title 28, United States Code, Section 2461(c).

42. Upon conviction of any of the offenses charged in Counts 1 through 12 of this Superseding Indictment, the defendants, LAURENCE HONG and GRACE HONG, shall forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to such offenses, or a conspiracy to commit such offenses, including but not limited to the following:

a. One 2015 Aston Martin DB9, Vehicle Identification Number SCFFDAFM9FGB16266;

b. Approximately $209,261.37 in funds held in Interactive Brokers LLC account number XXXX6283, held in the name of Hyun Joo Hong;

c. Approximately $6,417.42 in funds held in Interactive Brokers LLC account number XXXX9407, held in the name of Pishon Holding, LLC;



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d. Approximately $5,069.17 in funds held in J.P. Morgan Chase Bank, N.A. account number XXX8615, held in the name of Pishon Holding, LLC;

e. Approximately $1,009.76 in funds held in J.P. Morgan Chase Bank, N.A. account number XXXXX9962, held in the name of Hyun Joo Hong;

f. One ring with attached apparent colorless, transparent, round, brilliant-cut diamond weighing approximately 3.02 carats, and apparent diamonds inset on band, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;

g. One Rolex Oyster Perpetual Yacht-Master watch, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;

h. One Patek Philippe watch with apparent inset diamond, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;

i. One gold U.S. Liberty Coin, weighing approximately one ounce, seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004;

j. Assorted jewelry seized on or about June 2, 2017, from the premises of 8918 NE 24th Street, Clyde Hill, Washington, 98004, including items appearing to be: two gold metallic keys, twenty gold metallic rings; three silver metallic earrings with inset gemstones; four gold metallic bracelets; one gemstone pearl bracelet; one silver metallic ring; eight gold metallic rings on a gold metallic bracelet; one Tiffany key pendant necklace; one soccer ball pendant necklace; two gold metallic chain necklaces; two gold metallic U.S. Senate cufflinks, and one gold metallic medallion necklace; and

k. A judgment for a sum of money representing any property, real or personal, that constitutes or is derived from proceeds traceable to such offenses, or a conspiracy to commit such offenses.



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**(Laundering of Monetary Instruments; Transacting in Criminally Derived Property; Conspiracy to Launder Monetary Instruments)**

43. The allegations contained in Counts 14 through 21 of this Superseding Indictment are hereby realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982(a)(1).

44. Upon conviction of any of the offenses charged in Counts 14 through 21 of this Superseding Indictment, the defendants, LAURENCE HONG and GRACE HONG, shall forfeit to the United States any property, real or personal, involved in such offenses, and any property traceable to such property, including but not limited to the following:

a. The property described in Paragraph 41(a)-(j) of this Superseding Indictment; and

b. A judgment for a sum of money representing any property, real or personal, involved in such offenses, and any property traceable to such property.

**(Substitute Assets)**

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

a. cannot be located upon the exercise of due diligence;

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

c. has been placed beyond the jurisdiction of the Court;

d. has been substantially diminished in value; or

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

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it is the intent of the United States to seek the forfeiture of any other property of the defendants, up to the value of the above-described forfeitable property, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

DATED: 2.8.18

*[Signature of Foreperson redacted pursuant to the policy of the Judicial Conference of the United States]*

FOREPERSON

ANNETTE L. HAYES
United States Attorney

ANDREW C. FRIEDMAN
Assistant United States Attorney

JUSTIN W. ARNOLD
Assistant United States Attorney

STEVEN T. MASADA
Assistant United States Attorney



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**250a**

**DEFENDANT STATUS SHEET** (One for each defendant)

I. CASE STATUS

NAME OF DEFENDANT Sung Hong USAO# 2017R00042

_/ MAGISTRATE'S NO. _____ x / DOCKET NO. (If Superseding Indictment) CR CR17-163TSZ

**********

II. CUSTODIAL STATUS

HAS DEFENDANT HAD INITIAL APPEARANCE IN THIS CASE? x / yes _/ no

IF YES:

_/ DEFENDANT HAS BEEN RELEASED ON THE FOLLOWING CONDITIONS: _____

*** _/ A DETENTION HEARING HAS BEEN SCHEDULED FOR: _____.

x / A DETENTION ORDER HAS BEEN ENTERED.

*** _/ TEMPORARY DETENTION

*** x / PERMANENT DETENTION

_/ IF THE DEFENDANT HAS HAD INITIAL APPEARANCE IN ANOTHER DISTRICT, THE ABOVE RELEASE ON CONDITIONS OR DETENTION ORDER WAS ENTERED IN THE _____ DISTRICT OF _____ AND THE DEFENDANT'S FIRST APPEARANCE IN THIS DISTRICT IS EXPECTED TO BE/HAS BEEN SET FOR _____. (Date)

_/ DEFENDANT IS IN CUSTODY ON OTHER CHARGES:

_/ SERVING A FEDERAL SENTENCE AT _____.

_/ PENDING FEDERAL CHARGES IN THE _____ DISTRICT OF _____.

_/ PENDING STATE CHARGES AT _____.

**********

III. ARRAIGNMENT

_/ WARRANT TO ISSUE. (IF SO, PLEASE COMPLETE REVERSE)

_/ SUMMONS TO BE ISSUED FOR APPEARANCE ON _____ (Date) CALENDAR. (DEFENDANT'S ADDRESS REQUIRED.)

DEFENDANT'S ADDRESS: _____

x / LETTER TO DEFENSE COUNSEL FOR APPEARANCE ON next thursday, 9 a.m. (Date) CALENDAR.

DEFENSE ATTORNEY'S NAME: James Frush

DEFENSE ATTORNEY'S ADDRESS: _____

**********

IV. CONDITIONS OF RELEASE

_/ NOT PREVIOUSLY SET, SHOULD BE: _____ [e.g., P.R.; BAIL (listing conditions); DETENTION]

x / PREVIOUSLY SET, SHOULD BE:

_/ CONTINUE CONDITIONS OF RELEASE

x / CONTINUE DETENTION

_/ MODIFIED AS FOLLOWS (state reasons for modifying): _____

**********

HAS THE FPD represented any subject or witness in this case? x / Yes _/ No

**********

THE ESTIMATED TRIAL TIME IS 15 TRIAL DAYS. 1/30/2018 (Date Form filled out)

(Revised June 2000)

**251a**

**DEFENDANT STATUS SHEET** (One for each defendant)

I. CASE STATUS

NAME OF DEFENDANT Hyun Joo Hong USAO# 2017R00042

_/ MAGISTRATE'S NO. _____ x/ DOCKET NO. (If Superseding Indictment) CR CR17-163TSZ

**********

II. CUSTODIAL STATUS

HAS DEFENDANT HAD INITIAL APPEARANCE IN THIS CASE? x/ yes _/ no

IF YES:

x/ DEFENDANT HAS BEEN RELEASED ON THE FOLLOWING CONDITIONS: Bond

*** _/ A DETENTION HEARING HAS BEEN SCHEDULED FOR: _____.

_/ A DETENTION ORDER HAS BEEN ENTERED.

*** _/ TEMPORARY DETENTION

*** _/ PERMANENT DETENTION

_/ IF THE DEFENDANT HAS HAD INITIAL APPEARANCE IN ANOTHER DISTRICT, THE ABOVE RELEASE ON CONDITIONS OR DETENTION ORDER WAS ENTERED IN THE _____ DISTRICT OF _____ AND THE DEFENDANT'S FIRST APPEARANCE IN THIS DISTRICT IS EXPECTED TO BE/HAS BEEN SET FOR _____.
(Date)

_/ DEFENDANT IS IN CUSTODY ON OTHER CHARGES:

_/ SERVING A FEDERAL SENTENCE AT _____.

_/ PENDING FEDERAL CHARGES IN THE _____ DISTRICT OF _____.

_/ PENDING STATE CHARGES AT _____.

**********

III. ARRAIGNMENT

_/ WARRANT TO ISSUE. (IF SO, PLEASE COMPLETE REVERSE)

_/ SUMMONS TO BE ISSUED FOR APPEARANCE ON _____ CALENDAR. (DEFENDANT'S ADDRESS REQUIRED.)
(Date)

DEFENDANT'S ADDRESS: _____

x/ LETTER TO DEFENSE COUNSEL FOR APPEARANCE ON next thursday, 9 a.m. CALENDAR.
(Date)

DEFENSE ATTORNEY'S NAME: Thomas Hillier

DEFENSE ATTORNEY'S ADDRESS: _____

**********

IV. CONDITIONS OF RELEASE

_/ NOT PREVIOUSLY SET, SHOULD BE: _____.
[e.g., P.R.; BAIL (listing conditions); DETENTION]

x/ PREVIOUSLY SET, SHOULD BE:

x/ CONTINUE CONDITIONS OF RELEASE

_/ CONTINUE DETENTION

_/ MODIFIED AS FOLLOWS (state reasons for modifying): _____

**********

HAS THE FPD represented any subject or witness in this case? x/ Yes _/ No

**********

THE ESTIMATED TRIAL TIME IS 15 TRIAL DAYS. 1/30/2018
(Date Form filled out)

(Revised June 2000)

The Honorable Thomas S. Zilly

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>SUNG HONG,<br>aka LAWRENCE HONG,<br>aka LAURENCE HONG,<br><br>Defendant | NO. CR17-163TSZ-001<br><br>**UNITED STATES' SENTENCING MEMORANDUM** |

## I. INTRODUCTION

*"The trauma is felt not just financially, but emotionally and spiritually."*

--P.B., a minister, and M.K.B., his wife,
victims of the Hongs' fraud

*"I always tell people, hey, if you are going to con someone, con a fellow person, don't con God."*

--Lawrence Hong,
presenting at a Church conference in August 2016

Defendant Sung, aka "Lawrence" and "Laurence," Hong (hereinafter, "Lawrence Hong") is a career con-man, a recidivist in the truest sense of the word. He is an individual with absolutely no moral compass and is driven by only one thing – pure, unadulterated greed. Within nine months after being released from federal prison upon completing his 33-month sentence for his prior federal fraud conviction, Lawrence Hong was back to his criminal ways. For the next seven years, from February 2010 through June 2017, the defendant and his wife preyed on vulnerable victims by targeting those who shared the Hongs' purported religious beliefs to execute an elaborate, massive investment fraud scheme. Through their criminal enterprise, the Hongs fraudulently obtained over $20 million dollars from their victims, spent millions of the ill-gotten money to finance their extravagant lifestyle, and ultimately caused 57 victim investors losses of over $12.7 million.

The United States respectfully recommends that the Court sentence defendant Lawrence Hong to a term of imprisonment of 292 months (24 years 4 months). While this is a lengthy term of imprisonment, it is sufficient, but not longer than necessary, to effect the goals of sentencing. Specifically, such a significant sentence is both necessary and just particularly in light of the egregious nature and circumstances of the offense; Lawrence Hong's uniquely troubling history and characteristics, including his 20-year history of seemingly unbroken fraudulent conduct; and the need to deter the defendant and other like-minded fraudsters, to promote respect for the law, and to vindicate the interests of the Hongs' many victims, like P.B. and M.K.B., whom the Hongs so callously ravaged financially, emotionally, and spiritually. In addition, and perhaps most importantly, a 292-month sentence is needed to protect the public from further crimes of defendant Lawrence Hong. Put simply, nothing short of a long period of incarceration will work in preventing defendant Lawrence Hong from causing significant financial and emotional harm to more victims in the future.

## II. FACTS

There are number of important facts for the Court to consider when imposing sentence in this matter. The Plea Agreement and the Amended Presentence Report ("PSR"), dated September 27, 2018, set forth the basic facts of the Hongs' fraudulent scheme. Accordingly, rather than repeat such information, this memorandum will focus upon specific aspects of the enterprise and Lawrence Hong.

In this section, the United States will highlight certain facts that demonstrate the devious nature of the Hongs' scheme. The United States will also discuss the facts surrounding defendant Lawrence Hong's history and characteristics, including his long history involved in fraudulent conduct and his prior federal fraud conviction.

### A. The Hongs' Scheme to Defraud (February 2010 through June 2017)

#### 1. Lies and Omissions

In February 2010, just nine short months after getting out of federal prison for his previous fraud conviction, Lawrence Hong, together with his soon-to-be wife, Grace Hong, began operating a major investment fraud that lasted over seven years and reaped millions of dollars. The Hongs created and used various business entities, all bearing the "Pishon" name. As part of their solicitations to victims, the Hongs freely marketed that "Pishon" was a Biblical reference to the Pishon River, the first river in the Garden of Eden mentioned in the Book of Genesis.

In order to conceal Lawrence Hong's prior federal conviction from investors, the Hongs put all the Pishon businesses and bank and brokerage accounts in Grace Hong's name. Over the next seven years, Lawrence and Grace Hong repeatedly lied to investors in order to obtain money to satisfy their greed. For example, Lawrence Hong misrepresented his credentials to numerous investors by repeatedly asserting that he privately managed billions of dollars for wealthy Korean investors, and that exclusive investment agreements prevented his name from formally appearing on the Pishon business records and marketing material. None of this was true.

The Hongs did not disclose Lawrence Hong's prior conviction for fraud to the vast majority of investors (i.e., all but approximately 2 or 3 victims). And, even with those that did learn of Hong's prior conviction,[1] Lawrence Hong grossly misstated his conduct, telling one investor, for example, that he had been framed by the victims and it was not his fault. In fact, following his release from prison, it appears that Lawrence Hong changed the spelling of his name (to "Laurence") in order to avoid the investors learning about his prior fraud conviction if they conducted any due diligence.

On a number of occasions, including in a recorded meeting with a confidential source assisting the FBI's investigation, Lawrence Hong showed potential investors a fabricated account statement showing that he managed hundreds of millions of dollars in the Cayman Islands. Other victims reported being shown similar financial statements claiming immense personal wealth and assets under management. Indeed, fabricated financial documents were recovered from the Hongs' email accounts as well as from their Clyde Hill residence, which the Hongs rented for approximately $12,000 per month, financed entirely with victim funds.

Lawrence and Grace Hong also fraudulently touted their historical success. For example, the Hongs created an investment prospectus and marketing material for the Pishon, which they disseminated to potential investors. The written material, like the Hongs' oral solicitations, was riddled with lies and fabrications. As discussed in more detail in the United States' Sentencing Memorandum regarding co-defendant Grace Hong, the Hongs asserted that Grace Hong had impressive credentials, such as Ivy League degrees, a securities license, and investment and asset management experience, that simply did not exist. Moreover, despite the fact that Lawrence Hong had been in

[1] To be clear, at least one such investor independently discovered Lawrence Hong's prior conviction and questioned the Hongs. In only one instance did the Hongs voluntarily disclose Lawrence Hong's prior conviction at the outset, and, according to that investor, in retrospect, the disclosure was done in a manner to engender trust and promote the religious-based solicitation angle. Moreover, as part of his explanation of the conviction, Lawrence Hong grossly misrepresented the fraud scheme and essentially denied criminal culpability.

federal prison from 2007 to 2009, and the Hongs did not actually even create their first fraudulent investment business until 2010, they included the following "Performance History" chart in the Pishon prospectus sent to victims showing astronomical historical returns:

**Performance History (%)**

| | 一月 | 二月 | 三月 | 四月 | 五月 | 六月 | 七月 | 八月 | 九月 | 十月 | 十一月 | 十二月 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | | -5.60 | -2.30 | -4.78 | 0.33 | -4.97 | -0.73 | 23.03 | 8.42 | -8.32 | 3.81 | 41.71 | 49.53 |
| 2003 | 3.53 | -6.33 | 0.14 | -3.04 | -16.92 | -7.23 | -0.15 | 4.07 | 12.50 | -0.33 | 7.18 | 20.83 | 9.51 |
| 2004 | 4.86 | -19.00 | 23.84 | 8.69 | 7.71 | -13.51 | -11.05 | 6.09 | -6.36 | -9.49 | 11.74 | -1.54 | -6.28 |
| 2005 | -7.22 | 8.78 | -3.11 | -5.02 | 20.00 | 7.09 | 0.37 | 1.37 | -8.75 | 0.36 | 4.59 | 4.60 | 21.67 |
| 2006 | 12.52 | -6.18 | 6.00 | 17.56 | -3.03 | 5.73 | -2.50 | -13.27 | -1.74 | 4.59 | 16.40 | -4.49 | 30.31 |
| 2007 | 12.96 | 3.67 | -14.59 | -4.90 | -6.21 | -1.83 | 13.84 | -22.51 | 19.39 | 33.94 | 10.73 | -1.48 | 34.48 |
| 2008 | 4.04 | 15.86 | 8.06 | 2.17 | -4.67 | 6.83 | -2.26 | 8.88 | -1.39 | 2.05 | 1.39 | 7.82 | 58.50 |
| 2009 | -7.67 | -3.82 | -6.56 | 0.60 | 5.06 | -6.65 | 2.53 | -2.99 | 10.68 | 6.12 | 14.87 | -6.16 | 3.10 |
| 2010 | -5.59 | 3.16 | -9.22 | -0.23 | 11.59 | 13.35 | 6.89 | 20.96 | 26.60 | 27.82 | 16.84 | -2.00 | 167.01 |
| 2011 | -3.01 | -0.10 | 6.45 | -0.13 | -4.06 | -11.25 | -3.79 | 8.90 | -4.24 | -10.39 | 1.61 | -2.89 | -22.27 |
| 2012 | 0.01 | 0.58 | -4.51 | -14.35 | 14.58 | 7.24 | 7.98 | 36.79 | -17.12 | 25.82 | 0.79 | 82.18 | 185.85 |
| 2013 | 31.68 | -11.90 | -13.59 | 3.86 | 24.72 | 40.30 | | | | | | | 82.18 |

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| Return | 49.53% | 9.51% | -6.28% | 21.67% | 30.31% | 34.48% |
| Maximum Drawdown | -16.66% | -30.01% | -30.83% | -8.75% | -16.81% | -34.17% |
| Annualized Volatility | 15.09% | 9.73% | 12.43% | 7.93% | 9.50% | 15.55% |
| +/- Months | 5:6 | 8:6 | 6:6 | 8:4 | 6:6 | 6:6 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Return | 58.50% | 3.10% | 167.01% | -22.27% | 185.85% | 82.18% |
| Maximum Drawdown | -4.67% | -16.57% | -11.79% | -24.64% | -16.21% | -23.67% |
| Annualized Volatility | 5.78% | 7.44% | 12.39% | 5.66% | 26.95% | 16.62% |
| +/- Months | 9:3 | 6:6 | 8:4 | 3:9 | 9:3 | 4:2 |

As noted above, in 2008, while Lawrence Hong was incarcerated, the Hongs claimed 58.50% return-on-investment. In 2010, they marketed a 167% return. In meetings with potential investors, the Hongs touted the results as their own, and as fully audited by a third-party accounting firm.

**2. Targeting of Religious Victims**

From the outset of their fraud, the Hongs specifically targeted individuals who shared the Hongs' purported religious beliefs. The reason was simple – trust. By focusing their fraudulent efforts on those who shared their purported religious beliefs, Lawrence and Grace Hong were able to use the basic tenets of religion – faith and trust – in order to convince their victims to hand over their hard-earned life or retirement savings.

Throughout the scheme, the defendants falsely portrayed themselves as successful money managers who were called upon by God to use their significant wealth and their unique investment expertise to support churches and further other religious causes. For example, as discussed in more detail below, in August 2016, during a presentation to a congregation at the Lancaster Prophetic Conference (later publicly posted on YouTube), the Hongs described the foundation of their Pishon investment advisory business as part of their higher calling to "use the talents that [God] gave [them] both" to help churches be financially sustainable, and in turn advance religious and charitable causes. *See* Exhibit A, Video Clip of Conference.

Furthermore, as noted above, the very name of the Hongs purported investment advisory businesses – Pishon, the first river in the Garden of Eden in the Book of Genesis – was designed to entice religious investors. During the scheme, the Hongs ran Pishon & Co., LLC, a purported hedge fund; the First Pishon, LLC; Pishon Capital Management, LLC, and Pishon Holding, LLC. Still more, to enhance the façade of altruistic motivations, the Hongs created the "Pishon River Foundation," which they publicly marketed as their charitable arm, to which proceeds from their successful investing were dedicated to religious and charitable causes. Indeed, Grace Hong, for a time, used the Foundation as her cover photo for her public personal Facebook account:

In fact, one of the victims of the Hongs' fraud was a church, which, based on the Hongs' various false promises and representations, invested $1 million with the Hongs in May 2016.[2] Through that relationship, the Hongs attended the Lancaster Prophetic Conference in August 2016, where they gave a presentation to the large audience.

[2] The church eventually lost over $277,000 as a result of the Hongs' fraud.

The Hongs' presentation was recorded and eventually put on YouTube.

A number of victims invested with the Hongs after attending the conference or watching the Hongs' fraudulent presentation online. A copy of the Hongs' presentation is attached as Exhibit B. While it is lengthy, the United States respectfully requests that the Court review the entire video because it provides insight into the heart of the Hongs' fraud and the depravity of their conduct. At the time they spoke at the conference, the Hongs had been running their fraud for over six and a half years and had already misappropriated and lost millions of dollars of investors' funds. With that in mind, the ease with which they spoke at the religious conference and fraudulently touted their successes and experience, all to a devoutly religious audience, is truly shocking.

For example, shortly after their introduction, Grace Hong falsely touts her background at Deutsche Bank and then describes how the Hongs created their company to use the talents God gave them to help churches become financially sound. Exhibit A, Clip of Conference Video. A few minutes later, Lawrence Hong talked about how sad it is that others in the financial industry often target religious individuals by using "fear mongering" stating "if you are going to con someone, con a fellow person, don't con God." Exhibit C, Clip of Conference Video. Later, Lawrence uses that very tactic – fear mongering – when speaking to these potential investors, telling them that "the way it is

right now, there is no middle America. You guys will never get ahead. I'm sorry. I'm not here to lie and give you false hope." Exhibit D, Clip of Conference from 32:10 to 32:56.

The Hongs' clearly preyed on the trust of those who shared the Hongs' purported religious beliefs, and their efforts were very effective. Numerous victim statements have been separately submitted to the Court for consideration. They are powerful and provide a first-hand account of how the Hongs targeted their victims and the lasting impact their deceit has imposed. Many victims discuss the heightened trust engendered by the Hongs' proclaimed (but false) religious and charitable motivations. By way of example,

- As Victim C.A. describes, "*As a minister and missionary – I chose to invest with the Hongs because of their professed faith and their desire to help ministers. I invested all the money I had in hopes of growing it to a point of providing a ministry retreat center*." C.A.'s Victim Impact Statement.
- Victim K.G. notes, "*what caused me to trust them even more was the fact that they presented themselves as Christians, and they had ties to ministers and Christian leaders that I personally know and highly respect.*" K.G.'s Victim Impact Statement.
- P.N. and J.N. also placed trust in the Hongs because of their professed faith: "*The Hongs presented themselves as devout Christians and had all the lingo to go with it. We felt good about them and believed them*." P.N. and J.N.'s Victim Impact Statement. They also believed the Hongs' statements about using their talents to help others: "*[The Hongs] were starting a special fund that we could be a part of and a significant part of the profit they would personally gain from this fund would go towards funding the spread of the Gospel in various efforts*." *Id.*

**3. Misappropriation of Investor Funds for Personal Gain**

Contrary to their false representations to investors, the Hongs did not invest all of the hard earned money their victims entrusted to them. Instead, they misappropriated

millions of dollars in order to fund their insatiable greed and avarice. The Hongs lived a life of extraordinary luxury (financed entirely by victims' money, and in some cases, retirements), which they used to flaunt their success and in turn to solicit new investors. The list of extravagant spending reads like something out of the television show "Lifestyles of the Rich and Famous":

- Thousands of dollars per month in rent, including $12,000 per month in rent for a 9,000+ square foot mansion in Clyde Hill

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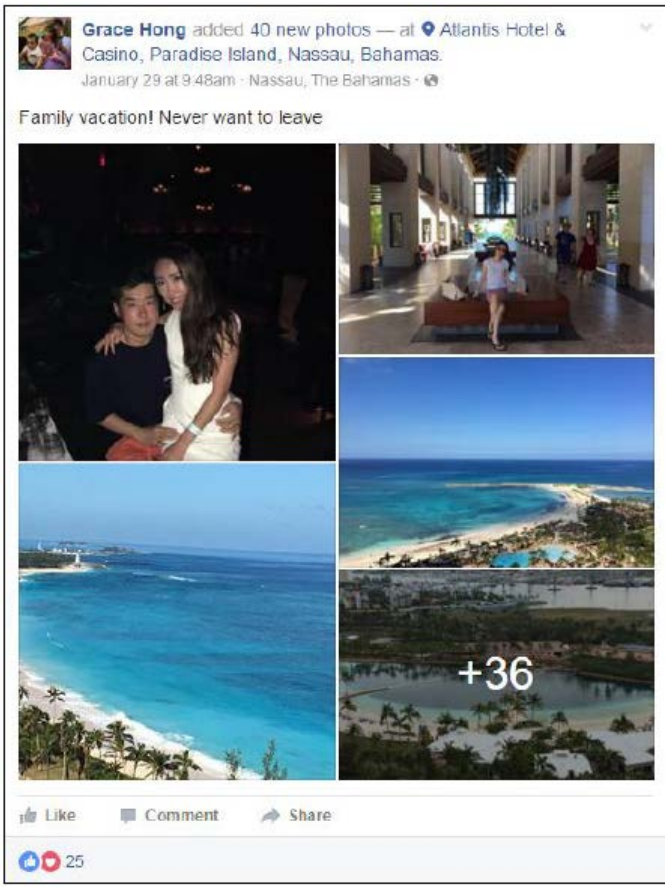
- Hundreds of thousands of dollars on high-end vehicles, including a Maserati and an Aston Martin (photograph below), as well as BMWs and a Lamborghini[3]

- A personal yacht named, "For Grace"

[3] Indeed, in June 2017, at the time their residence was searched, the Hongs had four luxury cars.

- Lavish vacations, including at high-end resorts and hotels in the Bahamas, Beverly Hills, and the San Juan Islands, among other places



**4. The Impact of the Hongs' Crimes**

The Hongs' seven-year fraud left devastation in its wake. All told, there are 57 victims who suffered over $12.7 million in losses. A number of investors lost their entire life and retirement savings and were forced to dramatically change their lifestyle or go back to work. In the words of Victims P.N. and J.N.:

> "*As a result of the Hongs' crimes we no longer have any money left to invest. Our retirement funds are completely gone. We are trying to rebuild our assets and [P.N.] is working 70 hours per week in his mortgage business and doing this at 79 years of age*."

Victims C.S. and A.S. "*lost all life savings over 17 years of working including [their] retirement plan, estate planning, our children* [sic] *college funds, and our house down payments*." Victim K.Y. lost all $130,000 he invested with the Hongs which represented "*nearly all of [his] retirement money along with all of [his] saving*." As a result, K.Y. was unable to buy a house for his family. Unfortunately, numerous other victims felt similar financial harm. Victim M.G., who retired after a 37-year career in public service as a firefighter, lost $100,000 of his retirement savings.

But the pain these victims experienced, and continue to endure, is beyond financial. That is, unlike many fraud cases, the stolen dollars represent only one aspect of the Hongs' impact. Given the nature of the Hongs' fraud, the damage is also emotional and spiritual. In addition, victims are sadly left questioning themselves, wondering what *they* did wrong to lose their hard earned money. By way of example,

- According to Victims C.S. and A.S., they had "*[m]any disagreement issues result* [sic] *from [the Hongs' fraud]*." They "*blamed each other and tried to go back in the past to find out whose [fault] it is in making the wrong investment decision with the Hongs*." C.S. and A.S. describe how these fights "*resulted in a stressful environment for 3 months and affected our children as they cried during [the] arguments*."

- Victims S.Q. and J.Q. had similar issues, noting that the "*emotional impact of this fraudulent scheme has greatly affected our marriage and relationships with our family, and the church community. We have been dealing with issues of anger, shame, and regret from being victimized by the Hongs*."
- Victim K.Y. perhaps sums it up best by stating, "*It has been a tumultuous year for myself and my family*."

The United States anticipates that both the Hongs will seek a lower sentence by pointing to the impact a lengthy term of imprisonment will have on their children. There admittedly will be a significant impact on the Hongs' children, and any negative consequence is regrettable. However, those consequences flow entirely from the Hongs' own misconduct – a natural and foreseeable byproduct of their decisions to engage in a years-long, multi-million-dollar fraud, all to indulge an extravagant lifestyle few can legitimately afford. But the Hongs' children are not the only children impacted by the Hongs' greed and egregious fraud. As multiple victims note, the Hongs' also victimized the children of those who invested with them, and there will be long lasting effects on those children.

- Victim C.E. and E.E. describe how they told the Hongs that the Hongs' "minimum investment" of $100,000 "*represented our entire life savings to date*." C.E. and E.E. note that the Hongs both knew they had three "*small children, and that this money was planned for a down-payment on a house for our family*." Knowing that, the Hongs stole it all. As C.E. and E.E. correctly point out, the "*size of these crimes are such that they are multi-generational, setting family's* [sic] *back and altering the course of the next generation*."
- Victims C.S. and A.S. invested with the Hongs after A.S. met Grace Hong and the Hongs' children. As noted above, as a result of the Hongs' fraud, C.S. and A.S. lost everything. They lost their ability to put a down payment on a house in a good school district for their children; and, because they now have to rent (as the

Hongs convinced them to sell their home and invest the proceeds with Pishon), their "*son cannot remain at the same school which he has already established the good relationships with friends and teachers*." They are not able to save for their two children's college funds.

- The Hongs' conduct also had a significant impact on the son of Victims S.Q. and J.Q.: "

> *This experience has caused great emotional distress to our son. Our son developed an emotional connection with the Hongs; they preyed on him, saying that they wanted to mentor him, promising his dream job upon college graduation in the Hong's New York office*.

But when the Hongs' fraud was exposed, there was no job. Unfortunately, S.Q. and J.Q.'s son had forgone a number of other opportunities. As a result, he "*had a hard time finishing school, became depressed, excessively slept, and gained weight. … Our son is still dealing with trust issues and depression*."

- Finally, Victim K.Y. describes how the Hongs' depravity has impacted his young family:

> *With one young toddler and an infant, we were planning to buy a house with these funds [the money he lost], but with the housing situation the way it is, [the Hongs] ruined our hopes to live a normal life. We have had to change the way we live, change the way we trust people and most importantly, it has been a challenge keeping my family together. Our lives were forever changed by these criminals and there is nothing they can do to heal the deep wounds they have caused.…*

When considering the impact the Hongs' fraud might have on their own children, the United States respectfully submits that the Court should equally consider the severe, direct, and irreversible impact that the Hongs' profiteering imposed upon the innocent children of their numerous victims.

**B. False Statements to the Department of Justice**

As noted herein, as part of his 2007 federal sentence for investment fraud, Lawrence Hong was ordered to repay $870,834 in restitution to victims. Not

surprisingly, following his release from prison, and while he was spending millions of dollars on his extravagant lifestyle, Lawrence Hong had little interest in repaying restitution to the victims of his prior frauds. Throughout his term of supervised release, Lawrence Hong periodically made minimal payments -- of at most approximately $1,000 per month. Lawrence Hong went to great lengths to hide his fraud not only from his victims, but also from the prying eyes of the United States Probation Office (and in turn this Court) and the United States Department of Justice (DOJ).

In July 2016, the United States Attorney's Office's Financial Litigation Unit sent Lawrence Hong a letter informing him that the DOJ was reviewing his case file. The DOJ letter included a Financial Disclosure Statement which Lawrence Hong was required to fill out to so the DOJ could decide whether to set up a payment plan or other collection action.

In August 2016, around the same time he was fraudulently touting his investment success and religious beliefs at the Lancaster Prophetic Conference, Lawrence Hong returned the form, which he signed under penalties of perjury, to the DOJ. In it, Lawrence Hong made a number of materially false statements in order to cover up his fraud, avoid repaying his prior victims, and continue to live his lavish lifestyle. These lies included, among others: (1) that he and Grace Hong had no salaries or income despite the fact they were both purporting to act as money managers at the time; (2) that his in-laws rented the Clyde Hill home when, in fact, Grace Hong had completed and signed the rental application (also with false information), and they paid $12,000 in stolen investor funds as rent per month; (3) that Grace Hong's occupation was "family money from inheritance" even though he knew they were actively touting Grace Hong as the CEO of Pishon; and (4) that neither he nor Grace Hong, nor any entity associated with them, had any accounts at any financial institutions in the prior five years despite the fact that they had numerous bank and brokerage accounts.

In addition, it appears that Lawrence and Grace Hong coordinated her response to corroborate his false statements and mislead the DOJ. In a separate letter, sent through

an attorney, Grace Hong falsely stated that she "currently manages her own separate assets that are all inherited or were owned prior to marriage" and that "there are no community assets and there is no community income." PSR ¶ 17.

**C. Defendant Lawrence Hong's Prior History of Fraud (1998 to May 2012)**

As noted in the PSR, defendant Lawrence Hong has an extensive history of fraudulent investment conduct spanning at least 20 years – from 1998 through 2017. In order for the Court to accurately assess Mr. Hong's history and characteristics (in addition to his egregious conduct in the current prosecution), the United States has set forth below facts reflecting Mr. Hong's repeated issues involving fraud between 1998 and 2012 (when his federal supervised release ended), including his prior federal fraud conviction. As the Court will see, none of these incidents, legal proceedings, or encounters with the criminal justice system has deterred the defendant in any way from engaging in further fraudulent conduct. In fact, it appears they have emboldened him.

**1. The 1998 Complaint Alleging Fraud (PSR ¶ 39)**

In 1998, an individual (S.J.L.) sued Lawrence Hong in King County Superior Court. A copy of the Complaint is attached as Exhibit E. According to the civil Complaint, S.J.L. and Lawrence Hong started a company to invest in real estate and publicly traded securities. The Complaint alleges that the defendant engaged in numerous questionable business transactions and fraudulent conduct that caused losses of approximately $100,000. The civil matter was resolved through settlement.

**2. The 2003 Korean National Police Agency Investigation (PSR ¶ 40)**

In 2003, defendant Lawrence Hong was investigated by the Korean National Police Agency[4] after an individual (S.K.) came forward and alleged that Lawrence Hong had defrauded her out of $100,000. Specifically, S.K. alleged that Hong falsely portrayed

[4] The FBI obtained documents concerning this investigation from the Korean National Police Agency in connection with the FBI's investigation that led to Lawrence Hong's 2007 fraud conviction. The documents are attached as Exhibit F.

himself as a renowned hedge fund manager who managed funds with balances over $1 billion, and that he managed funds for, among others, the Chairman of Starbucks. PSR ¶ 40. The alleged fraud appears eerily similar to the offense conduct in his two federal prosecutions in this District.

**3. *United States v. Sung Hong*, CR07-033 JLR (W.D. Wash) (PSR ¶ 36)**

On January 5, 2007, Lawrence Hong was arrested and charged for defrauding his neighbor, W.S., out of more than $800,000. *United States v. Sung Hong*, CR07-033JLR. In order to befriend W.S. and fraudulently obtain his money, Lawrence Hong "represented to the victim that he was an experienced investor; that he made a significant amount of money in Korea; that his father-in-law was the finance minister of South Korea; and that he had access to secret information regarding the strategies of large international investors, which included entities owned or controlled by international financier George Soros." PSR ¶ 36. Not surprisingly, Lawrence Hong did not, in fact, have that experience or those connections.

Later, when W.S. asked Lawrence Hong to return some of the money to pay for living expenses, Lawrence Hong threatened W.S. and his daughter. Specifically, Lawrence Hong falsely told W.S. that his money was tied up with an international crime syndicate, and that this syndicate would kill both Lawrence Hong and the victim if he returned any funds to W.S.

In April 2007, Lawrence Hong pleaded guilty to one count of wire fraud. On January 14, 2008, the Honorable James L. Robart conducted a sentencing hearing. A transcript of the sentencing hearing is attached as Exhibit G. During the hearing, the United States highlighted the threats Mr. Hong made to W.S. and asked for a sentence of 33-months, the high end of the advisory Guidelines range. Exhibit G, pages 6-7. W.S. also spoke about Mr. Hong's threats and the harmful impact it had on him and his family and how Mr. Hong had stolen W.S.'s entire savings. Id., page 8-9, 11. Importantly, W.S. also foresaw Mr. Hong continuing his fraudulent ways, stating, "The main item here is …

to protect the public from further crimes of the defendant. My goal here today is that he is removed from society so he can't hurt anybody else. He won't stop. He can't stop. And if he gets a short sentence, he's just going to be back out there doing this stuff again." Id., pages 12-13.

In response, Mr. Hong did what he does best, he lied to the Court: "And, Your Honor, once I get back into society, not only will I try my best, even if it means getting menial jobs – multi-menial jobs, I'll try my best to pay back my debt to [W.S.], and you'll never see me here again, because I learned my lesson being incarcerated." Id., page 15. Thankfully, Judge Robart saw through Mr. Hong's feigned plea for mercy. In imposing a 33-month sentence, Judge Robart noted that the nature and circumstances of the offense were "horrific." Id., page 17. When considering Mr. Hong's history and characteristics, Judge Robart stated that, "about the only thing that I can find in regards to Mr. Hong is that fact that, apparently, he may have a gambling problem." Id., page 18. Judge Robart also cited to the need to protect the public from further crimes of the defendant in support of his 33-month sentence. Id., page 19.

After imposing sentence, Judge Robart addressed Mr. Hong directly and advised him that another conviction for fraud would be severely punished: "Mr. Hong, I have no certainty that you are getting any of this message, but at least you're getting 33 months to think about it. And I can secondly tell you that if you do end up here again, the next time it's not going to be a slight increase; it will be a dramatic increase." Id., page 21.

**4. Mr. Hong's Other Fraud That the Court Incorporated into the Restitution Order (PSR ¶ 36)**

At some time prior to his arrest and detention on January 5, 2007, Lawrence Hong defrauded two additional victims, Y.W.K. and S.W.H., out of approximately $189,706 and $25,924, respectively. In addition to the $655,834 in restitution he ordered for W.S., Judge Robart included the additional amounts for Y.W.K. and S.W.H. in the restitution order in *United States v. Sung Hong*, CR07-033 JLR, after Mr. Hong acknowledged that

he had defrauded them as well. PSR ¶ 36; *See also* Dkt. 19, CR07-033JLR, Defendant Hong's Sentencing Memorandum, page 5.

**5. 2007 – Mr. Hong Defrauds an Inmate at the Federal Detention Center (PSR ¶ 41)**

According to documents the United States obtained from the U.S. Probation Office, shortly after Lawrence Hong was arrested and detained at Federal Detention Center (FDC) in Seatac, Washington in January 2007, Mr. Hong fraudulently obtained $300,000 from G.S., another inmate housed in the same unit at the FDC.[5] In short, from February 2007 to May 2007, Mr. Hong used a number of misrepresentations to induce G.S. to invest with Mr. Hong. For example, Mr. Hong told G.S. that he was a hedge fund manager; that his company made investments for some high-level officials in the Korean government; that he was an experienced stock market investor with a good reputation, and that he was actually the victim in his then-pending federal case because he had done nothing wrong.

Ultimately, in June 2007, at G.S.'s direction, G.S.'s mother wire transferred $300,000 from Hong Kong to Mr. Hong's mother's bank account in South Korea. In July 2007, Mr. Hong attempted to extract additional funds from G.S. Mr. Hong told G.S. that the minimum investment was actually $500,000, not the $300,000 G.S.'s mother had already sent. Mr. Hong indicated he was willing to put in some of his own money to meet the minimum investment amount, but said he could only come up with $100,000, and Mr. Hong asked G.S. to put in an additional $100,000. Fortunately, G.S. refused. There of course was no investment that Lawrence Hong managed or to which he had access.

Between July 2007 and July 2010, G.S. repeatedly asked Mr. Hong to return some of the money for various expenses. Mr. Hong paid some money to G.S.'s wife and

[5] The facts set forth herein are derived from documents the United States obtained from the U.S. Probation Office, which are attached as Exhibit J. Given the sensitive nature of these documents, the United States has filed them separately under seal.

attorney but rarely in the requested amounts and only after numerous excuses as to why the payments were delayed. Eventually, G.S. asked that all the money be returned. According to G.S.'s defense counsel, Mr. Hong eventually paid the money back, but the United States does not have any records as to when that payment was made and from what funds.[6]

**6. Mr. Hong's Attempts to Deceive the U.S. Probation Office While on Supervised Release**

On May 28, 2009, Mr. Hong was released from custody after serving his 33-month sentence, and he began his three-year term of supervised release. While the defendant had no formal violations of supervised release, Mr. Hong made only minimal payments toward his restitution obligation and obviously did not disclose to the Probation Office his involvement in his current fraud scheme. In fact, during the course of the investigation into the Hongs' fraud, the United States obtained evidence that Mr. Hong submitted false claims regarding his employment status, at a local jeweler, throughout his term of supervised release in order to conceal his actual involvement in the ongoing fraud. Specifically, bank records indicate that the Hongs "made periodic payments to [the jeweler] in amounts that indicate it was used to pay Mr. Hong's claimed wages." PSR ¶ 36. A spreadsheet of the payments between January 2011 and August 2012 and a check from Grace Hong *to* the jeweler, with the memo line: "Aug paycheck," are attached at Exhibit H.

## III. THE ADVISORY GUIDELINES RANGE IS 292 TO 365 MONTHS

The United States has filed a separate Brief Addressing the Sentencing Guidelines in which the United States addresses defendant Lawrence Hong's objections and sets forth its position concerning the applicable Guidelines range. In sum, the United States

[6] Since it appears that neither Lawrence Hong nor Grace Hong had legitimate sources of income at the time this money was likely repaid, the United States suspects, but has no firm evidence, that this repayment may have been derived from the Hongs' instant investment fraud scheme.

respectfully requests that the Court find a total offense level of 38 and a Criminal History Category III, which results in an advisory Guidelines range of ***292 to 365 months***.

## IV. THE 3553(A) SENTENCING FACTORS SUPPORT A SENTENCE OF 292 MONTHS

The United States respectfully requests that the Court sentence Lawrence Hong to a term of imprisonment of 292 months – or, 24 years and 4 months – as it is sufficient, but not greater than necessary, to meet the goals of sentencing. A 292-month sentence is warranted considering defendant Lawrence Hong's sentencing guideline range and, more importantly, the sentencing factors under Title 18, United States Code, Section 3553(a), including: (1) the serious nature and circumstances of Lawrence Hong's offense; (2) his history and characteristics, including his prior federal fraud conviction and his lifelong fraudulent conduct; (3) the need to protect the public from further crimes of the defendant, (4) the need for the sentence to reflect the seriousness of the offense, to promote respect for the law, to provide just punishment; (5) the need to afford deterrence to defendant Lawrence Hong and other would be white-collar recidivists; and (6) the need to avoid unwarranted sentencing disparities with other defendants engaged in similar conduct with similar histories. The United States further respectfully submits that both the Probation Office's recommendation of 12 years and the defendant's anticipated recommendation of between 8 to 10 years fail to adequately address the sentencing factors set forth in Section 3553(a).

### A. The Serious Nature and Circumstances of the Offense

A sentence of 292 months imprisonment reflects the serious nature and circumstances of Lawrence Hong's blatant, extensive fraud that lasted over seven years, and only ceased due to his arrest and the intervention of law enforcement. Lawrence Hong made the conscious decision to continue his fraudulent ways day after day, month after month, and year after year. When the fraud was finally revealed, the Hongs' fraud left 57 victims with losses of exceeding $12.7 million. The length and size of the fraud

alone would warrant a significant sentence. However, there are a number of other facts that demonstrate the serious nature of the Lawrence Hong's criminal activity.

First, Lawrence and Grace Hong engaged in a significant affinity fraud. Throughout the fraud, the Hongs callously preyed upon the most vulnerable of victims – those that trusted the Hongs based upon their purported shared religious devotion and beliefs. The Hongs repeatedly took advantage of that trust. As the Hongs' own words at the Lancaster Prophetic Conference make clear, the Hongs were willing to go to any length and tell any lie, without pause or remorse, in order to separate these devoutly religious individuals from their money.

Second, Lawrence Hong went to significant lengths and took elaborate steps to prevent his victims, banks and brokerage firms, and ultimately law enforcement, from discovering the fraud. He hid his prior conviction from nearly all the investors, and even changed the spelling of his name to disguise his prior misconduct. Lawrence and Grace Hong used Grace's name on every business, investment contract, promissory note, bank or brokerage account, and prospectus. They directed their investors to send funds directly to accounts held in the name of the Pishon entities, even though they intended to steal it, sometimes the very same day. *See* PSR ¶ 13; *see also* United States' Sentencing Memorandum for Grace Hong (describing in detail the immediate misuse of Victim-1's funds for the Hongs' personal luxury). The Hongs used Grace Hong's personal bank accounts to launder victim funds to a brokerage account, also in her name, so that the brokerage firm would not become aware that the money was not the Hongs', but rather money they had stolen from investors. When the DOJ confronted Lawrence Hong about his paltry payments towards his prior restitution obligation, he sent a Financial Disclosure Statement containing numerous false statements after signing it under penalty of perjury.

In addition, the Hongs' fraud was driven solely by greed and avarice. While wreaking havoc on the retirement and life savings of his victims, Lawrence Hong lived in a mansion in Clyde Hill, drove fancy cars, stayed at high-end resorts and hotels on expensive vacations, bought a yacht, and otherwise lived extremely lavishly.

The serious nature of the defendant's crimes, however, is best seen through the words of the victims of the offense. In addition to the discussion above concerning the impact on the victims, it is important to highlight that resulting harm when discussing the seriousness of the offense. For example, P.B. and M.K.B. describes how the Hongs were able to gain their trust:

> *We first met the Hongs through our church. They invited us to their home several times, treated us to meals, and even had us join them on a mini-vacation at Friday Harbor in the San Juan's* [sic]. *It's been very disheartening that through all this we were deceived in friendship so he can get funds from us to invest.*

Victim E.E. noted the devastation the fraud has caused on her family:

> *As a first generation Latina who grew up in the inner city, I worked hard every day to get ahead from the life of poverty that I faced. I have lived a life of giving back to the community, and have worked long hours as a Middle School Teacher to disadvantaged students. The majority of the money that was invested was from my teacher savings. I wanted a better life for my children and realized that dream when we were able to save enough money for a down payment on a home. I was going to take a few years off from work to finally be at home with our young family. This was all taken away from us when we became victims of the Hongs. The Hongs knew our financial hardships and all that we had lost in the recession. We are now faced with starting all over again and not knowing when we will able to pull ourselves out of this financial loss.*

Finally, the United States would like to address a point the Probation Office made in its recommendation that the Court impose a term of imprisonment of 12 years. On one hand, the Probation Office correctly notes the severity of Lawrence Hong's criminal conduct, noting that the "underlying offense was a prolific, complex, and serious fraud." The Probation Office goes on to list a number of other factors that demonstrate the seriousness of Lawrence Hong's offense: the length of the fraud, the large loss amount, the number of victims, the fact that the victims were severely impacted, and that this was an affinity fraud. Later in its recommendation, however, the Probation Office seems to contradict these statements by asserting that "the fraud guidelines create a piling on effect

that include 19 separate enhancements …" Contrary to Probation Office's characterization, the Guidelines specific offense enhancements are designed to acknowledge and capture the factors the Probation Office noted above and others that demonstrate the unique nuances and seriousness of the crime, including the amount of loss, the substantial financial hardship of numerous victims, the affinity fraud component (acting on behalf of a religious organization), that the defendants were acting as commodity trading advisors and abused a position of trust, the use of sophisticated means, and that the defendants engaged in money laundering. Thus, the Guidelines attempt to include the very factors that the Probation Office points to in describing the seriousness of the offense. That is a far cry from "piling on."

In sum, Lawrence Hong's fraud lasted over seven years and, but for the FBI, would have continued onward, compounding losses and accumulating additional victims. The scheme was designed to target those with deeply held religious beliefs. He executed it only to satisfy his greed. The fraud caused numerous investors significant financial and emotional harm. To cover up his fraud, Lawrence Hong made numerous lies to the United States government. It is clear that a 292-month sentence most accurately takes into consideration the serious nature of the offense.

**B. The History and Characteristics of the Defendant**

A sentence of 292 months is also supported by the history and characteristics of the defendant. 18 U.S.C. § 3553(a)(1). As set forth below, Lawrence Hong is a career con-man. A recidivist with a 20-year history of engaging in fraudulent conduct. But as a preliminary matter, it is important to note that Lawrence Hong's conduct *in the current affinity fraud* was egregious and involved numerous sophisticated lies to a number of victims. Furthermore, his fraudulent conduct was not a simple mistake made on only a few occasions. Rather, he engaged in a seven-year fraud in which he diverted and misappropriated millions of dollars through hundreds upon hundreds of transactions. During those seven years, Lawrence Hong faced a simple choice – stop lying to investors

and others, including the United States government, in an effort to keep the fraud from collapsing or begin to rectify the situation by stopping the fraud himself and admitting his misconduct. Every day, Lawrence Hong made the decision to continue and escalate his fraud. That alone says a significant amount about his history and characteristics.

Just as important, however, is the fact that Lawrence Hong is a recidivist. He has a prior federal conviction for investment fraud for which he received a sentence of 33 months. After his release from federal prison in May 2009, Lawrence Hong began his current fraud less than a year later, by February 2010, while still serving his term of supervised release. Thus, Lawrence Hong is scored as a Criminal History Category III. However, as the Probation Office correctly noted in its recommendation, this "criminal history score *under-represents* the seriousness of [the defendant's] criminal history or the likelihood he will commit further crimes" (emphasis added).

In short, as Judge Robart acknowledged in Hong's prior sentencing, *see* Exhibit G, page 18, there are simply no mitigating factors in the defendant's history and characteristics. Even back in 2008 (i.e., before the defendant escalated his fraud), having reviewed all information presented on Lawrence Hong's behalf, Judge Robert concluded: "I search the record before me to find something encouraging to say. About the best I can come up with is that I'm sure Mr. Hong loves his mother dearly. *Id.*

Indeed, Lawrence Hong is a fraudster to the core, someone with a history of engaging in fraudulent conduct that spans nearly his entire adult life. For approximately 20 years, defendant Lawrence Hong has been involved in fraud spanning from the conduct resulting in a civil lawsuit in 1998 until his most recent arrest in June of 2017. During this time, Lawrence Hong has been the subject of at least three criminal investigations in two countries, Korea and the United States. While he was in custody pending sentencing in his prior federal case, he defrauded another inmate at the FDC out of $300,000. In short, even incarceration will likely not deter Lawrence Hong from his deeply rooted criminal proclivities.

**C. The Need To Reflect the Seriousness of the Offense, to Promote Respect for the Law and to Provide Just Punishment**

A sentence of 292 months is also needed "to reflect the seriousness of the offense, to promote respect for the law, and to provide just punishment for the offense." 18 U.S.C. § 3553(a)(2)(A). The seriousness of these crimes is greatly enhanced when, as here, the fraudulent scheme stretches over multiple years, involves over tens of millions of dollars in fraudulently obtained money and over $12 million in losses, and is perpetrated on vulnerable victims. Given the seriousness of the crime and the defendant's behavior its commission, a term of 292 months imprisonment will promote respect for the law and provide just punishment for the offense.

**D. The Need to Afford Adequate Deterrence to Criminal Conduct**

A 292-month sentence is also needed "to afford adequate deterrence to criminal conduct." 18 U.S.C. § 3553(a)(2)(B). Given his lengthy history of fraudulent conduct and the fact that he was undeterred by his prior term of imprisonment, there is simply no indication that *any* sentence will deter Lawrence Hong from committing additional crimes in the future. However, the United States believes that a lengthy sentence may deter others who have previously been convicted of fraud offenses from engaging in further financial crimes upon release from prison. Such a sentence would show investment fraudsters that if continue to steal millions of dollars from innocent victims, a significant prison sentence will follow.

**E. The Need to Protect the Public From Further Crimes of the Defendant**

Section 3553(a)(2)(C) directs the Court to impose a sentence that considers the need to protect the public from further crimes of the defendant. For the reasons outlined above, the United States concurs with the Probation Office's assessment that it "appears the only means of protecting the community is to impose a lengthy custody term." However, the United States respectfully disagrees that a 12-year sentence is sufficient to adequately protect the public from further crimes of this uniquely resilient defendant. As

the facts make clear, there is a strong likelihood, if not near certainty, that this particular defendant will simply reoffend at the earliest opportunity, as soon as he is released from prison.

In considering deterrence and in weighing the need to protect the community, the Court should strongly consider the wisdom of the victims --- those with first-hand knowledge of Lawrence Hong and his character. As described above, in his prior sentencing hearing, W.S., Lawrence Hong's neighbor and investment fraud victim, addressed the Court. Unfortunately, W.S. stated, with remarkable clairvoyance,

> *The main item here is … to protect the public from further crimes of the defendant. My goal here today is that he is removed from society so he can't hurt anybody else.* ***He won't stop. He can't stop. And if he gets a short sentence, he's just going to be back out there doing this stuff again.***

Exhibit G, pages 12-13 (emphasis added). Indeed, it was so. The victims of Lawrence Hong's current offense, like W.S. roughly ten years ago, are now sounding the same alarm bells. For example, Victim K.G. notes:

> *Lawrence already served time for committing this same type of crime, and as soon as he was released, went right back into doing the same thing again. Clearly he did not learn anything, and feels no remorse for all the people he hurts. … I sincerely hope they will be given the maximum sentence. ... at the very least, while they are incarcerated, they will not be able to prey upon more victims.*

Victim K.Y. expresses his frustration and hopes that justice will be done to ensure no one else is victimized:

> *Initially, I was hopeful that the justice system would prevail. However, the justice system failed to stop this criminal from committing the same crime within merely a year or so. Thus, I have my doubts. … All I can ask, is that justice be served for the many victims like myself, and to ensure that this CANNOT happen again.*

The Court should listen to the victims, heed their warnings, and impose a sentence of 292 months to ensure, to the best of the Court's ability, that Lawrence Hong will not victimize more innocent people for a long, long time.

**F. The Need to Avoid Unwarranted Sentencing Disparities Among Defendants With Similar Records Who Have Been Found Guilty of Similar Conduct**

Section 3553(a)(6) directs the Court to consider "the need to avoid unwarranted sentencing disparities among defendants *with similar records* who have been found guilty of *similar conduct*" when imposing sentence. (emphasis added). This section directs the Court to consider sentences imposed on a defendant with a record similar to Lawrence Hong's record, meaning, in an ideal world, someone at minimum: (1) with a 20-year history of fraudulent conduct; (2) with a prior federal fraud conviction; and (3) who committed their offense while on supervised release. In addition, the statute directs that the Court should consider defendants engaged in similar conduct, meaning someone engaged in lengthy, significant, affinity investment fraud that causes tens of millions of dollars in losses. Even after the Court evaluates the factors and finds such a defendant, the Court is only directed to avoid *unwarranted* sentencing disparities. Thus, the Court is free to impose a sentence higher, even significantly higher, than other cases involving defendants with similar records engaged in similar conduct if the other sentencing factors warrant a disparity in sentences.

Of course, no two cases will involve the exact same conduct, identical records of the defendant, or identical enhancements under the advisory Guidelines. Thus, the United States is not suggesting the Court should completely disregard any cases that do not fit neatly into the statute. However, a careful look at the list of defendants included in the Probation Office's recommendation reveals that the Probation Office did not correctly identify defendants of *similar records* engaged in *similar conduct*, except, perhaps arguably, for the matter involving Darren Berg. The United States will address the Berg matter below, but it is important to note that half of the cases the Probation Office cited – Kevin Lawrence, Rhonda Breard, and Shawn Portman – involve defendants with *no criminal history*. Thus, they do not have records remotely similar to Lawrence Hong. Although the other two defendants cited in the Probation Office's recommendation – James Rowe and Keith Anderson – appear to have had criminal histories at the time of

their sentencing, it is not clear whether they engaged in their fraudulent conduct while on supervised release or whether there was other significant indicia of fraud in their past. Furthermore, both of these cases were from the early 2000's (2001 for Rowe and 2002 for Anderson) and they do not appear to involve investment fraud, let alone investment fraud targeting a class of individuals based on their faith and religious beliefs. Likewise, Portman's case involved bank fraud, not investment fraud. Thus, it is a stretch to conclude that these individuals were engaged in conduct similar to defendant Lawrence Hong.

This not to say that the Court should disregard recent prior investment fraud cases in this District and the sentences imposed in them just because the conduct is not identical. However, the Court should consider them *together* in order to get a complete picture of what recent investment fraud sentences have been in this District. Therefore, the United States provides the chart in Exhibit I to provide the Court with context concerning what sentences other defendants who have engaged in investment fraud received in relation to nature of the fraud, the financial harm caused, the defendant's criminal history, and the advisory Guidelines range. Considering the sentences imposed in recent investment fraud cases in this District, including the cases discussed below, two of which involve defendants with somewhat similar records to Lawrence Hong, a sentence of 292 months is wholly appropriate and in fact avoids unwarranted sentencing disparities. Despite their arguments to the contrary, the sentences recommended by the Probation Office (12 years) and the defendant Lawrence Hong (8 to 10 years) will actually cause unwarranted sentencing disparities.

*United States v. Richard Zieske*, CR17-137 JLR – Earlier this year, Judge Robart sentenced Richard Zieske, who was convicted at trial for an investment fraud, to a term of imprisonment of 8 years. *Zieske*, CR17-137 JLR, Dkt. 163. Before engaging in his current scheme, Zieske had previously served a 41-month sentence as a result of a prior federal fraud conviction in this District stemming from an investment fraud scheme and completed his term of supervised release. *See Zieske*, United States' Sentencing

Memorandum, Dkt. 150, page 3. The fraud for which Judge Robart recently sentenced Zieske involved two victims with losses of approximately $127,915. *Id*., page 19 (discussing restitution to two victims).

In stark and dramatic contract, the Hongs' fraud caused losses exceeding $12.7 million (compared to $127,915), about 100 times as large as Zieske, and involved 57 individual victims (compared to two victims). Lawrence Hong did not self-report. He has not assisted law enforcement or made any effort to secure restitution for victims. In addition, unlike Zieske, Lawrence Hong has a lengthy history of fraudulent conduct, and began his fraud almost immediately upon commencement of a three-year term of supervised release for a prior federal conviction for similar fraud conduct.

In short, Zieske and Hong are drastically dissimilar. Lawrence Hong's circumstances are far more aggravating. In fact, *Zieske* undermines Lawrence Hong's paltry recommendation and only supports the government's position, namely, that Lawrence Hong and the uniquely aggravating factors he presents warrant a significantly higher sentence.

*United States v. Chris Yoo*, CR 17-075 TSZ – In August 2017, the Court sentenced Chris Yoo to a 9-year term of imprisonment, *within the advisory Guidelines range*.[7] Yoo, a registered investment advisor, misappropriated approximately $3.7 million from 17 victims and used the money to fund his lifestyle. *Yoo*, CR17-075 TSZ, United States Sentencing Memorandum, Dkt. 18, page 1. Although he violated a civil injunctive Order entered in a prior Securities and Exchange Commission matter, Yoo had no criminal history. Significantly, unlike the Hongs, whose fraud was revealed only through the tireless work of the FBI and Commodity Futures Trading Commission (CFTC), Yoo self-reported his crime to the United States, immediately confessed, and consented to two

[7] The United States understands that this matter is scheduled to be resentenced in the near future. However, the fact that the Court gave Yoo a sentence of 9 years after evaluating the 3553(a) factors is relevant in discussing whether the significant sentence the United States requests would result in an unwarranted sentencing disparity. As discussed below, it will not.

days of interviews in order to help unravel his scheme. Lawrence Hong is not comparable to Yoo. Hong not only had a prior federal conviction for investment fraud, but further committed the crime of conviction while serving his term of supervised release. He stole far more money from far more victims, uniquely based on religious affiliation. He did not self-report but rather was arrested and, even thereafter, has done little, if anything, to aid law enforcement in unwinding his fraud or recouping restitution for victims. Still more, as evident by his anticipated arguments at sentencing, Lawrence Hong continues to minimize his criminal culpability.

In short, *Yoo* supports the government's recommendation and corroborates the need for a substantial sentence --- far in excess of the 9-year sentence imposed by this Court upon Chris Yoo, who self-reported his misconduct, cooperated to assist investigators and victims, and had no criminal history, and whose crime involve substantially less loss and fewer victims.

*United States v. Mark Spangler*, CR12-133 RSM – In 2013, Judge Martinez sentenced Mark Spangler, an investment adviser who promised safe investments but diverted investor money to two risky start-up companies he controlled, to a term of imprisonment of 16 years (192 months) after trial. During his scheme, Spangler caused $19.8 million in losses to more than 10 victims. *Spangler*, United States' Sentencing Memorandum, Dkt. 159, page 1-2. Spangler had no prior criminal history. By contrast, Lawrence Hong had a long history of fraud, including a prior federal fraud conviction, and committed crimes while on supervised release. Once again, Hong's circumstances are far more aggravating.

*United States v. Darren Frederick Berg*, CR10-310 RAJ – In February 2012, Judge Jones followed the joint recommendation of the United States and Berg and sentenced Berg to a term of imprisonment of 18 years (216 months). Berg, who had an old bank fraud conviction from the District of Oregon (it did not score under the Guidelines), defrauded hundreds of investors in a series of investment funds over the course of 10 years. When his fraud finally collapsed, Berg had caused losses of

approximately $140 million. There are a number of factors to consider regarding Berg's sentence. First, unlike Lawrence Hong, Berg had agreed to recommend a significant sentence of 18 years as part of a joint recommendation with the United States. Second, Berg attempted to cooperate with the United States and the bankruptcy trustee to help unravel his fraud. Finally, and perhaps most importantly, we now know, with the benefit of hindsight, that the 18-year sentence was woefully inadequate as Berg escaped from Bureau of Prison's custody on December 6, 2017, and is now a fugitive.

These cases show that the 292-month sentence the United States requests will not result in any unwarranted sentencing disparity. To the contrary, the sentences imposed on Zieske (8 years for a recidivist who had two victims at $127,000 loss) and Yoo (9 years for an investment adviser with no criminal history who self-reported his criminal conduct of $3.4 million in loss and then cooperated with law enforcement) within the past 14 months highlight the sentencing disparity that would result if the Court followed either the recommendation of the Probation Office (12 years) and the defense (8 to 10 years).

Put simply, when considered objectively, it is apparent that there is no previously sentenced defendant similarly situated to Lawrence Hong. Rather, considering his repugnant history, the scope and depravity of his current fraud, and the absolute lack of mitigating circumstances, Lawrence Hong, in the United States' view, stands alone as arguably the worst fraud offender ever sentenced in Western Washington. The Court should impose a lengthy sentence that acknowledges and reflects Lawrence Hong's unique case.

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## V. CONCLUSION

For the foregoing reasons, the United States respectfully recommends that defendant be sentenced to 292 months of imprisonment, to be followed by a three-year term of supervised release subject to the conditions recommended by the Probation Office.

DATED this 28th day of September, 2018.

Respectfully submitted,

ANNETTE L. HAYES
United States Attorney

*s/ Justin W. Arnold*
JUSTIN W. ARNOLD
Assistant United States Attorney

*s/ Steven Masada*
STEVEN T. MASADA
Assistant United States Attorney
United States Attorney's Office
700 Stewart Street, Suite 5220
Seattle, Washington, 98101-1271
Telephone: (206) 553-7970

CERTIFICATE OF SERVICE

I hereby certify that on September 28, 2018, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system which will send notification of such filing to the attorney(s) of record for the defendant(s).

*s/Anna Chang*
ANNA CHANG
Paralegal
United States Attorney's Office
700 Stewart Street, Suite 5220
Seattle, Washington 98101-1271
Telephone: (206) 553-7970

AUDIO RECORDINGS
FOR SENTENCING MEMORANDUM
EXHIBITS A, B, C & D

Hand Delivered to Court.

Exhibit A. Hong videoplayback clip 2140-2422.mp4

Exhibit B. Hong videoplayback.FullHongs.mp4

Exhibit C. Hong videoplayback.2727-2812.mp4

Exhibit D. Hong videoplayback 3210-3256.mp4

# Exhibit E

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR KING COUNTY

S [redacted] Plaintiff,

vs.

SUNG H. HONG,

Defendant.

NO.

SUMMONS

BEST AVAILABLE COPY

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SUPERIOR COURT CLERK
KENT, WA

TO THE DEFENDANTS:

A lawsuit has been started against you in the above entitled court by the plaintiff above-named. Plaintiff's claim is stated in their written complaint, a copy of which is served upon you with this summons.

In order to defend against this lawsuit, you must respond to the complaint by stating your defense in writing, and serve a copy upon the person signing this summons within 20 days after the service of this summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where plaintiff are entitled to what they ask for because you have not responded. If you serve a notice of appearance on the undersigned attorney, you are entitled to notice before a default judgment may be entered.

You may demand that the plaintiff file this lawsuit with the court. If you do so, the demand must be in writing and must be served upon the person signing this summons. Within 14 days after you serve the demand, the plaintiff must file this lawsuit with the court, or the service on you of this summons and complaint will be void.

If you wish to seek the advice of an attorney in this matter, you should do so promptly so that your written response, if any, may be served on time.

This summons is issued pursuant to Rule 4 of the Superior Court Civil Rules of the State of Washington.

DATED this 26th day of August, 1998.

McCORMICK HOFFMAN, P.S.

By: _____
Chong S. So, WSBA #22885

McCORMICK, HOFFMAN, REES, FAUBION,
VAN BUSKIRK & JOHNSON, P.S.
31919 1st Avenue S., Suite 109
Federal Way, WA 98499
(253) 946-5144

**290a**

FILED

KING COUNTY SUPERIOR COURT
PAUL L. SHERFEY
DIRECTOR & SUPERIOR CT CLERK
SEATTLE WA

98-2-24539-5

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KENT, WA

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON

IN AND FOR KING COUNTY

| | |
|---|---|
| S [redacted] Plaintiff, and SUNG H. HONG, Defendant. | NO. COMPLAINT FOR MONIES DUE, INTERESTS, AND ATTORNEY'S FEES |

COMES NOW Plaintiff, by and through his attorney, CHONG S. SO, of the law offices of McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S., and for the causes of action against the above named defendant, alleges as follows:

## I. IDENTIFICATION OF PARTIES AND JURISDICTION

1.1 That Plaintiff, S [redacted], is an individual residing in King county, Washington.

1.2 That Defendant, SUNG H. HONG, is a single individual residing in King county, Washington.

1.3 All acts relevant in this cause of action occurred in King county, Washington.

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## II. FACTS

2.1 On or about October 13, 1997, plaintiff and defendant created a Washington corporation under the name of R INVESTMENTS & SECURITIES, INC. (hereinafter "R"). The primary business of R was initially to invest in real estate properties and publicly traded stocks and securities.

2.2 Each party obtained equal shares of R with plaintiff's initial investment of $65,000.00 and defendant's initial investment of $70,000.00.

2.2 Plaintiff and defendant were named as directors, and defendant was named President and Treasurer, and plaintiff was named Vice-President and Secretary of R

2.3 Defendant was primarily responsible for day to day operation of R and its trading of stocks. R started its trading on or about February 26, 1998.

2.4 Due to significant losses in its trading, defendant's negligence on his duties, and defendant's reckless trading, a special meeting was called by plaintiff on March 27, 1998, to reconsider dissolving the corporation or other investment options. Both parties were present and resolutions were agreed upon. R was to continue its investments in stocks, however, no "day-trading" would be allowed. Further, all investments would be mutually agreed upon by both parties. If defendant was to engage in any unauthorized "day-trading", he agreed to have done so personally and thereby agreed to indemnify plaintiff of any loss incurred. Corporate minutes of said meeting were drafted and signed by both parties (a copy of said minutes

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are herein attached as Exhibit "1", and fully incorporated herein by reference).

2.5 Defendant continued to engage in "day-trading" but did not provide any daily trading report or equity reconciliation report as agreed. Plaintiff was not in position to monitor daily activities and made numerous attempts to communicate with defendant to receive reports on equity position, but defendant continuously avoided providing his trading reports.

2.6 Plaintiff contacted Waterhouse Securities, Inc., the brokerage firm used by R in its trading, and stopped any further trading by defendant.

2.7 The remaining equity was withdrawn from Southwest Securities, and deposited with Waterhouse Securities, Inc., by mutual agreement.

2.8 In or around August 7, 1998, Defendant attempted to embezzle the funds in Waterhouse Securities, Inc., illegally drawing a check from the corporate account. Plaintiff stopped the check and requested the firm to stop any further trading.

2.9 In or around late April, 1998, plaintiff discovered that Defendant had incurred losses of approximately $100,000.00.

## III. FIRST CAUSE OF ACTION - BREACH OF CONTRACT

3.1 Plaintiff realleges each and every allegations set forth in paragraphs I and II.

3.2 Defendant's actions and/or inactions amount to a breach of contract with plaintiff, which has damaged the plaintiff in the amount to be proven at trial.

## IV. SECOND CAUSE OF ACTION - FRAUDULENT AND/OR NEGLIGENT MISREPRESENTATION

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4.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II and III.

4.2 That the defendant fraudulently and/or negligently misrepresented the future investment plan of R[redacted] in an attempt to induce plaintiff to continue the operation of R[redacted]. Further, defendant fraudulently and/or negligently misrepresented himself as an expert in stock trading and real estate investments. That such misrepresentations were material in inducing plaintiff to continue the operation of R[redacted] without dissolving the company. That the plaintiff relied upon said misrepresentations and had a right to rely on the same.

4.3 That as a result of defendant's misrepresentations, plaintiff has been damaged in an amount to be proven at trial.

V. THIRD CAUSE OF ACTION - BREACH OF DIRECTOR'S FIDUCIARY DUTIES

5.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II, III and IV.

5.2 Defendant's reckless disregard and negligent behavior is in direct violation of general standard required for directors under R.C.W. 23B.08.300.

5.3 Such breach of duties has damaged plaintiff in an amount to be proven at trial.

VI. FOURTH CAUSE OF ACTION - BREACH OF OFFICER'S FIDUCIARY DUTIES

6.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II, III, IV and V.

6.2 Defendant's reckless disregard and negligent behavior is in direct violation of general standard required for officers under R.C.W.

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23B.08.410, R[redacted]s By-Laws, and duties prescribed by the Directors of R[redacted]

6.3 Such breach of duties has damaged plaintiff in an amount to be proven at trial.

DATED this 28th day of August, 1998.

McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S.

By: _____
Chong S. So, WSBA #22885
Of Attorneys for Plaintiff

STATE OF WASHINGTON )
) ss
County of King )

S. [redacted] being first duly sworn upon oath, deposes and says:

That I am the plaintiff in this cause of action, and that I have read the foregoing complaint, know the contents thereof and believe the same to be true.

DATED this 28th day of August, 1998.

COMMISSION EXPIRES 12-17-01 NOTARY PUBLIC STATE OF WASHINGTON

_____
S. Jay Lee, Plaintiff

SUBSCRIBED AND SWORN to before me this 28th day of August, 1998, by S. [redacted]

_____
Notary Public in and for the State of Washington
residing at Federal Way, WA
My commission expires 12/17/01

McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S.
31919 1st Avenue S., Suite 109
Federal Way, WA 98499
(253) 946-5144

296a

Exhibit 1

# MINUTES OF JOINT MEETING OF DIRECTORS AND SHAREHOLDERS OF R INVESTMENTS AND SECURITIES, INC.

**The joint meeting of shareholders and board of directors were held on May 22nd, 1998. All directors and shareholders were present in person. Sung H. Hong acted as a chairman and S. acted as a secretary.**

3:17 am

**WHEREAS, in connection with internal memorandum dated 05/21/98 from S to Sung H. Hong, the board changes the scope of officers' roles and duties and establishes new management polices as follows;**

1. **Both parties understand that day trading is not suitable for the company's basic investment policies and strategies.**
2. **Both parties acknowledge that position trading (buy and hold) as conventional is more suitable for the company's investment policies and strategies.**
3. **Thus, company will engage in position trading only. Sung H. Hong has shown his expertise on the position trading in his personal account.**
4. **Sung H. Hong will consult S before making any investment decision.**
5. **Any loss incurred from a day trading after this date will be taken by Sung H. Hong personally to make S harmless.**
6. **Sung H. Hong will make himself available for a contact via a pager or phone.**

**The above policies are hereby resolved.**

SUNG H. HONG, chairman — Dated 3/27/98

S secretary — Dated 3/27/98

# Exhibit E

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR KING COUNTY

S [redacted] ) NO.
)
Plaintiff, ) SUMMONS
)
vs. )
)
SUNG H. HONG, )
)
Defendant. )

BEST AVAILABLE COPY

FILED
98 OCT 15 PM 2:12
SUPERIOR COURT CLERK
KENT, WA

TO THE DEFENDANTS:

A lawsuit has been started against you in the above entitled court by the plaintiff above-named. Plaintiff's claim is stated in their written complaint, a copy of which is served upon you with this summons.

In order to defend against this lawsuit, you must respond to the complaint by stating your defense in writing, and serve a copy upon the person signing this summons within 20 days after the service of this summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where plaintiff are entitled to what they ask for because you have not responded. If you serve a notice of appearance on the undersigned attorney, you are entitled to notice before a default judgment may be entered.

You may demand that the plaintiff file this lawsuit with the court. If you do so, the demand must be in writing and must be served upon the person signing this summons. Within 14 days after you serve the demand, the plaintiff must file this lawsuit with the court, or the service on you of this summons and complaint will be void.

If you wish to seek the advice of an attorney in this matter, you should do so promptly so that your written response, if any, may be served on time.

This summons is issued pursuant to Rule 4 of the Superior Court Civil Rules of the State of Washington.

DATED this 26th day of August, 1998.

McCORMICK HOFFMAN, P.S.

By: _____
Chong S. So, WSBA #22885

McCORMICK, HOFFMAN, REES, FAUBION,
VAN BUSKIRK & JOHNSON, P.S.
31919 1st Avenue S., Suite 109
Federal Way, WA 98499
(253) 946-5144

**299a**

FILED

KING COUNTY SUPERIOR COURT
PAUL L. SHERFEY
DIRECTOR & SUPERIOR CT CLERK
SEATTLE WA

98-2-24539-5

| Rcpt. Date | Acct. Date | Time |
|---|---|---|
| 10/15/1998 | 10/16/1998 | 02:41 PM |

| Receipt/Item # | Tran-Code | Docket-Code |
|---|---|---|
| 1998-09-12253/01 | 1100 | $FFR |

Paid By: MCCORMICK HOFFMAN, ATTYS
Transaction Amount: $110.00

FILED
08 OCT 15 PM 2:42
SUPERIOR COURT CLERK
KENT, WA

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON

IN AND FOR KING COUNTY

| | |
|---|---|
| S [redacted] Plaintiff, and SUNG H. HONG, Defendant. | NO. COMPLAINT FOR MONIES DUE, INTERESTS, AND ATTORNEY'S FEES |

COMES NOW Plaintiff, by and through his attorney, CHONG S. SO, of the law offices of McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S., and for the causes of action against the above named defendant, alleges as follows:

I. IDENTIFICATION OF PARTIES AND JURISDICTION

1.1 That Plaintiff, S [redacted], is an individual residing in King county, Washington.

1.2 That Defendant, SUNG H. HONG, is a single individual residing in King county, Washington.

1.3 All acts relevant in this cause of action occurred in King county, Washington.

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VAN BUSKIRK & JOHNSON, P.S.
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(253) 946-5144

## II. FACTS

2.1 On or about October 13, 1997, plaintiff and defendant created a Washington corporation under the name of R INVESTMENTS & SECURITIES, INC. (hereinafter "R"). The primary business of R was initially to invest in real estate properties and publicly traded stocks and securities.

2.2 Each party obtained equal shares of R with plaintiff's initial investment of $65,000.00 and defendant's initial investment of $70,000.00.

2.2 Plaintiff and defendant were named as directors, and defendant was named President and Treasurer, and plaintiff was named Vice-President and Secretary of R

2.3 Defendant was primarily responsible for day to day operation of R and its trading of stocks. R started its trading on or about February 26, 1998.

2.4 Due to significant losses in its trading, defendant's negligence on his duties, and defendant's reckless trading, a special meeting was called by plaintiff on March 27, 1998, to reconsider dissolving the corporation or other investment options. Both parties were present and resolutions were agreed upon. R was to continue its investments in stocks, however, no "day-trading" would be allowed. Further, all investments would be mutually agreed upon by both parties. If defendant was to engage in any unauthorized "day-trading", he agreed to have done so personally and thereby agreed to indemnify plaintiff of any loss incurred. Corporate minutes of said meeting were drafted and signed by both parties (a copy of said minutes

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are herein attached as Exhibit "1", and fully incorporated herein by reference).

2.5 Defendant continued to engage in "day-trading" but did not provide any daily trading report or equity reconciliation report as agreed. Plaintiff was not in position to monitor daily activities and made numerous attempts to communicate with defendant to receive reports on equity position, but defendant continuously avoided providing his trading reports.

2.6 Plaintiff contacted Waterhouse Securities, Inc., the brokerage firm used by R in its trading, and stopped any further trading by defendant.

2.7 The remaining equity was withdrawn from Southwest Securities, and deposited with Waterhouse Securities, Inc., by mutual agreement.

2.8 In or around August 7, 1998, Defendant attempted to embezzle the funds in Waterhouse Securities, Inc., illegally drawing a check from the corporate account. Plaintiff stopped the check and requested the firm to stop any further trading.

2.9 In or around late April, 1998, plaintiff discovered that Defendant had incurred losses of approximately $100,000.00.

## III. FIRST CAUSE OF ACTION - BREACH OF CONTRACT

3.1 Plaintiff realleges each and every allegations set forth in paragraphs I and II.

3.2 Defendant's actions and/or inactions amount to a breach of contract with plaintiff, which has damaged the plaintiff in the amount to be proven at trial.

## IV. SECOND CAUSE OF ACTION - FRAUDULENT AND/OR NEGLIGENT MISREPRESENTATION

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VAN BUSKIRK & JOHNSON, P.S.
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(253) 946-5144

4.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II and III.

4.2 That the defendant fraudulently and/or negligently misrepresented the future investment plan of R in an attempt to induce plaintiff to continue the operation of R. Further, defendant fraudulently and/or negligently misrepresented himself as an expert in stock trading and real estate investments. That such misrepresentations were material in inducing plaintiff to continue the operation of R without dissolving the company. That the plaintiff relied upon said misrepresentations and had a right to rely on the same.

4.3 That as a result of defendant's misrepresentations, plaintiff has been damaged in an amount to be proven at trial.

V. THIRD CAUSE OF ACTION - BREACH OF DIRECTOR'S FIDUCIARY DUTIES

5.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II, III and IV.

5.2 Defendant's reckless disregard and negligent behavior is in direct violation of general standard required for directors under R.C.W. 23B.08.300.

5.3 Such breach of duties has damaged plaintiff in an amount to be proven at trial.

VI. FOURTH CAUSE OF ACTION - BREACH OF OFFICER'S FIDUCIARY DUTIES

6.1 Plaintiff realleges each and every allegation set forth in paragraphs I, II, III, IV and V.

6.2 Defendant's reckless disregard and negligent behavior is in direct violation of general standard required for officers under R.C.W.

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23B.08.410, R[redacted]s By-Laws, and duties prescribed by the Directors of R[redacted]

6.3 Such breach of duties has damaged plaintiff in an amount to be proven at trial.

DATED this 28th day of August, 1998.

McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S.

By: _____
Chong S. So, WSBA #22885
Of Attorneys for Plaintiff

STATE OF WASHINGTON )
) ss
County of King )

S. [redacted] being first duly sworn upon oath, deposes and says:

That I am the plaintiff in this cause of action, and that I have read the foregoing complaint, know the contents thereof and believe the same to be true.

DATED this 28th day of August, 1998.

COMMISSION EXPIRES 12-17-01 NOTARY PUBLIC STATE OF WASHINGTON

_____
S. Jay Lee, Plaintiff

SUBSCRIBED AND SWORN to before me this 28th day of August, 1998, by S. [redacted]

_____
Notary Public in and for the State of Washington
residing at Federal Way, WA
My commission expires 12/17/01

McCORMICK, HOFFMAN, REES, FAUBION, VAN BUSKIRK & JOHNSON, P.S.
31919 1st Avenue S., Suite 109
Federal Way, WA 98499
(253) 946-5144

Exhibit 1

# MINUTES OF JOINT MEETING OF DIRECTORS AND SHAREHOLDERS OF R INVESTMENTS AND SECURITIES, INC.

**The joint meeting of shareholders and board of directors were held on May 22nd, 1998. All directors and shareholders were present in person. Sung H. Hong acted as a chairman and S. acted as a secretary.**

3:00 am

**WHEREAS, in connection with internal memorandum dated 05/21/98 from S to Sung H. Hong, the board changes the scope of officers' roles and duties and establishes new management polices as follows;**

1. **Both parties understand that day trading is not suitable for the company's basic investment policies and strategies.**
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4. **Sung H. Hong will consult S before making any investment decision.**
5. **Any loss incurred from a day trading after this date will be taken by Sung H. Hong personally to make S harmless.**
6. **Sung H. Hong will make himself available for a contact via a pager or phone.**

**The above policies are hereby resolved.**

SUNG H. HONG, chairman — Dated 3/27/98

S secretary — Dated 3/27/98

# Exhibit F

**307a**

(Rev. 01-31-2003)

FEDERAL BUREAU OF INVESTIGATION

**Precedence:** ROUTINE **Date:** 03/22/2007

**To:** International Operations **Attn:** SSA Sharon Kuo, Asia Unit
Room 7373
Seattle **Attn:** SA Patrick J. Garry, Squad 4

**From:** Legat Seoul
**Contact:** SA Christopher Kim, [redacted]

**Approved By:** Maeng J. Sung

**Drafted By:** Kim Christopher:ck

**Case ID #:** [redacted] (Pending)

**Title:** SUNG HONG;
aka LAWRENCE HONG;
INVESTMENT FRAUD
FBW, MF

**Synopsis:** Legat Seoul lead covered.

**Enclosure:** Enclosed for FBI-Seattle is one copy of records from the Korean National Police Agency.

**Reference:** [redacted] Serial 81

**Details:** FBI-Seattle requested Legat Seoul obtain court records, evidence of any property or other assets located in Korea, and criminal histories related to individuals mentioned above and other individuals related to captioned investigation. The Korean National Police Agency (KNPA) at the request of the Legat Seoul investigated and obtained the requested records. On 03/21/07, Legat Seoul received the requested records for KNPA and is enclosing these records for FBI-Seattle. Legat Seoul considers this lead covered.

(Rev. 01-31-2003)

**308a**

# FEDERAL BUREAU OF INVESTIGATION

**Precedence:** ROUTINE **Date:** 04/10/2007

**To:** Seattle

**From:** Seattle
Squad 4
**Contact:** SA Patrick J. Garry, 206-262-2260

**Approved By:** Seifert Christine A

**Drafted By:** Garry Patrick J:pjg

**Case ID #:** [redacted].127 (Pending)

**Title:** SUNG HONG;
aka LAWRENCE HONG;
INVESTMENT FRAUD
FBW, MF

**Synopsis:** To document results of Language Services request to summarize Korean National Police Agency report.

**Enclosure(s):** Copy of FBI-Seattle Translation Analysis Center summary of Korean National Police Agency report.

**Details:** On January 10, 2007, the Seattle Division requested the assistance of the Legal Attache in Seoul, Korea to provide information regarding Sung Hong, a.k.a. Lawrence Hong. On March 28, 2007, Legat-Seoul provided an untranslated report from the Korean National Police Agency. On April 10, 2007, the FBI-Seattle Translation Analysis Center provided a detailed summary of the report.

The report contains details of a complaint against Sung Hong by an investor in Korea. The victim, S[redacted], lost approximately $100,000 in transfers to Sung Hong in early 2003.

100PJG02.EC
◆◆

COPY

309a

Classification: ☐ Unclassified ☒ Confidential ☐ Secret ☐ Top Secret

# LANGUAGE SERVICES REQUEST
## - FIELD OFFICE -

***Please complete one copy of this form for each request.***

***Field Offices**: Submit this form and a copy of the material to be translated to your local Supervisory Foreign Language Program Coordinator (SFLPC) or your Foreign Language Coordinator if you do not have an SFLPC.*

*[Note: **FBIHQ or Legats** should use the **"Language Services Request – Headquarters"** form.]*

Requestor: Patrick J. Garry
Date: 03/28/2007
Telephone: [redacted]
Squad/Unit/Legat/etc.: 4
Case/File #: [redacted]
Case Title: Sung Hong; aka Lawrence Hong; Investment Fraud

Language From: Korean Into: English

☒ **TRANSLATION**

☐ Verbatim
☒ Summary
☐ Other: _____

☒ Document(s) # of pages: 100
☐ Video # of HH:MM: _____
☐ Audio
  ☐ Telephone # of sessions: _____
  ☐ Microphone # of HH:MM: _____
  ☐ Live monitoring
  ☐ Other: _____

Participants in the recording/document (if known): Sung Hong

Deadline: Routine

☐ **INTERPRETATION**

Nature of assignment: _____

Date: _____
Time: _____
Location: _____
Clearance required (e.g., TS-SCI, Secret, etc.): _____

Names and titles/ranks of FBI participants:

Names and titles/ranks of other participants:

*NOTE: Talking points must be provided to interpreter at least 24 HOURS before assignment.*

Special Instructions/Information: (e.g., synopsis of case, handling caveats, etc.) Original is enclosed. Please do not mark original document. Please assign to Tae Kim as he is familiar with the case. The documents contain a report by the Korean National Police Agency regarding Hong's activities in Korea. Please provide a short summary of the contents. Also, please identify any additional victims, loss amounts, etc. Thank you for your assistance.

Rev. 04/24/2006

***Page 1***

South Korean National Police Agency's reply to the U.S. FBI's request concerning HONG Sung hoon

***Page 2***

The request was received by
[redacted] [PH], Inspector
[redacted] [PH], Sr. Inspector
[redacted] [PH], Superintendent
[redacted] [PH], Director of Foreign Affairs Division

An Informal Order issued by Seoul Central District Court

Case: Fraud
The Accused: HONG Sung hoon (Korean National ID #). Runs an Investment Firm
Address: [redacted]. Seoul
Place of Birth: [redacted]

The Principal Penalty & Other Measures

The accused is ordered to pay the penalty of the amount equivalent to US$ 15,000.

If the accused doesn't pay aforementioned amount, he will be sent to the "forced-labor workplace" and will remain there working until the amount is fully paid off (US$ 50 per day).

Prosecutor or the accused can petition for a formal hearing within 7 days upon receiving this order.

The Charge

At Oakwood Hotel in Seoul on 01/06/2003 the accused approached the accuser, K [PH] as a renowned hedge fund manger who manages Starbucks chairman's funds.

The accuser, K, claimed that although the accused, who claimed to run an investment firm and had information on Trump Casino, a soon to be bankrupt American company, had neither the intention of returning the principal by the end of May of 2003 nor the capacity to realize the proceeds of over 10 times of the original investment, had swindled her to deliver the amount equivalent to US$100,000 over the period of two occasion, once on 01/14/2003 and once on 01/30/2003, US$50,000 respectively.

***Page 5***

The first page of the Lawsuit Record

Case Number:
Case Name: Fraud
Prosecutor: [PH]
The Accused: HONG Sung hoon
Defense Attorney: [PH]

***Page 6***

Institution of a Lawsuit of Non-prosecution Case

Name: HONG Sung hoon
Korean
National
ID #:
Occupation: Runs an Investment Firm
Address: Kirkland, Washington, U.S.A.
Place of Birth:

Charged with: Fraud

Reason of
Institution: Discovery of the accused's whereabouts

***Page 7***

The accused's whereabouts unknown
Arrest warrant issued
Requesting notification at the time of entry

***Page 8***

HONG's case is forwarded to Seoul District Prosecutor's Office on 02/23/2004

***Page 9 & Page 10***

Table of Content of the Case Record

**A Written Opinion**

HONG Sung hoon
National ID #
Address
Place of Birth

1. There is no record of any criminal punishment or suspension of indictment.

1. Facts Constituting the Offense

The accused, whose whereabouts is unknown, told the accuser that he is managing not only L's (the amount equivalent to) US$ 100 million but also a part of Hannara [PH] party's funds. He claimed that Microsoft Vice-Chairman and Starbucks Chairman are his clients and had about (the amount equivalent to) US$ 2 to 3 billion at his discretion. He also claimed that he made enormous proceeds for his cousin P [PH] and K [PH].

[The rest of information is same as that of in page 4.]

The accuser claims that she got to know the accused through her acquaintance K chul [PH] and L [PH]. They introduced the accused as a hedge fund manager from America. The accuser claims that the accused told her that she could make enormous proceeds if she purchases a soon-to-be bankrupt Trump Casino's stocks now and sells them to the public later, and she believed him and delivered US$100,000.
Subsequently when the accused never handed her the "investment certificate", she claims that she confronted him on 06/04/2003, right before he was leaving for the U.S. At that time she learned that the accused used her investment not in Trump Casino but on NASDAQ and S&P. The accuser claims that since the accused returned to the U.S., he never answered her calls, never made any payment to her.

As a result of investigation, it is confirmed that the accused is residing abroad. According to the Immigration Control record, [he] left for an Island adjacent to the U.S. on 11/04/2000.
Since any further investigation is impossible due to the accused's whereabouts is unclear, I, C , inspector, request suspension of indictment until the accused is located.

Signed by Inspector C [PH]

**Lawsuit**

The Accuser K [PH]
The Accused HONG Sung hoon [PH]

Date 10/02/2003
Case #: 19905

Person in Charge: K [PH]

The contents of the Lawsuit

The accuser K [PH] (National ID #)
(Address)
(Phone number)

The accused HONG Sung hoon [PH] (Date of Birth /1971)
(Address Sammamish, WA 98075)
(Contact number while in Korea
(Contact number for U.S.
Passport number

For fraud

Fact of Complaint

I, the accuser, am working as an investment counselor. The accused is a Korean holding the U.S. citizenship. I am bringing a charge against the accused for fraud, please investigate the matter and punish him severely.

I, the accuser, were having a friendly meeting with K [PH] and L [PH] when P [PH], the accused cousin, joined us with the accused (HONG Sung hoon). K introduced the accused as a renowned hedge fund manager from America.

A few days later P called me at my office and told me that the accused wishes to see me on behalf of his American clients who want to invest in Korea. So I set up a meeting and we met at the Oakwood Hotel in Seoul on 01/06/2003.

The accused explained that he uses a "dollar black market" in Daegu when I asked him how it is possible to take so many dollars out of the country. [The rest of information is the same as that of in page 4 & Page 11.]

The accused told me that he bought information about Trump Casino, a financially troubled company, for US$500,000 and that he could make the proceeds of at least 17 to 20 times of the principal if I make the investment. I told him that I would be happy even with the proceeds of double or triple. I had extra funds of (the amount equivalent to) US$100,000, which I could used until the end of May. I handed him the half on 01/14 and the other half on 01/30.

I, the accuser, told him that I must have the principal back by the end of May and the accused replied that he could give it back to me by then, so I should not worry. He told me not to worry repeatedly.

When the end of May came, the accused not only did not return the principal, but also stopped answering my calls. Moreover he was planning on leaving for the U.S. on 06/04/2003 without acknowledging me. I caught him at P hospital (Dental Clinic) and was able to make him sign a promissory note before P and K In the note the accused promised to make payments of US$40,000 in August, US$30,000 in September, and US$30,000 in October.

I, the accuser, have not received any communication from the accused, he didn't call me even when he was visiting Korea in July, nor returned my calls since he left the country in June. Moreover, I have not received any payment from the accused.

If the accused made investment of US$100,000 in Trump Casino, then he should have given me the statements associated with transferring the funds and the document associated with the investment, yet he has not given me neither. In addition to that he has default his payment obligation. Therefore, I conclude that he intentionally approached me to dazzle me into his swindling scheme. So please investigate this case and punish him severely.

Supporting Evidence

Promissory Note
Copy of Passport and Driver License

09/30/2003

Promissory Note

I, HONG Sung hoon, have received US$50,000 once on 01/04/2003 and once on 01/30/2003 from K[redacted] with intention of investing.

The period of investment was until 05/31/2003 and I promised that I would "preserve" and refund the principal by the end of the investment period.

Since I have not fulfill above obligation, I now (06/04/2003) promise that I will refund the principal by 10/30/2003.

If I don't refund the principal by 10/30/2003, then I will not object to whatever measure you would take upon me.

Signed by HONG Sung hoon

***Page 18***

Copy of HONG's U.S. Passport & Driver License

***Page 19 to Page 25***

The Accuser's Statement and her Driver License

**323a**

*Page 26*

Individual Exit and Entry Record of [Immigration Control]

Name: HONG Sung hoon Sex: Male DOB: [redacted]/1971
Nationality: Korean Record Duration: 01/01/1960 to 10/10/2003

| Port | (E)ntry/ (D)eparture | Date | Passport # | From/ Destination | Purpose of Visit | Immigration Control Number |
|---|---|---|---|---|---|---|
| Kimpo | E | 11/09/99 | [redacted] | U.S. | | [redacted] |
| Kimpo | E | 03/16/00 | | U.S. | Visit | |
| Kimpo | D | 04/05/00 | | Japan | Business | |
| Kimpo | D | 06/19/00 | | U.S. | | |
| Kimpo | E | 07/30/00 | | U.S. | Business | |
| Kimpo | E | 10/08/00 | | U.S. | Business | |
| Kimpo | D | 11/04/00 | | Isle near U.S. | | |

***Page 27 to Page 29***

Same as the Written Opinion (From Page 11 to Page 13)

***Page 30***

Table of Contents

***Page 31 and Page 32***

Arrest Warrant

***Page 33***

Facts Constituting the Offense

Same as the contents in page 11

***Page 34***

Request of putting HONG on the wanted list

***Page 35***

HONG Sung hoon's family census registration

***Page 36***

Individual Exit and Entry Record of [Immigration Control]

Same as the contents in page 26.

**326a**

*Page 37*

Individual Exit and Entry Record of [Immigration Control]

Name: HONG Sung hoon Sex: Male DOB: /1971
Nationality: Korean Record Duration: 01/01/1987 to 03/01/2004

| Port | (E)ntry/ (D)eparture | Date | Passport # | From/ Destination | Purpose of Visit | Immigration Control Number |
|---|---|---|---|---|---|---|
| Kimpo | E | 10/22/92 | | U.S. | Visit | |
| Kimpo | D | 11/01/92 | | U.S. | | |
| Kimpo | D | 12/04/99 | | U.S. | Departure of OR | |

[TN: OR is short for Overseas Resident]

**327a**

***Page 38***

Individual Exit and Entry Record of [Immigration Control]

Name: HONG Sung hoon Sex: Male DOB: /1971
Nationality: Korean Record Duration: 01/01/1987 to 03/01/2004

| Port | (E)ntry/ (D)eparture | Date | Passport # | From/ Destination | Purpose of Visit | Immigration Control Number |
|---|---|---|---|---|---|---|
| Kimpo | E | 05/21/00 | | U.S. | Tour&Sightseeing | |

***Page 39 to Page 43***

Requesting Immigration Control Office to notify HONG's entry to the prosecutor's office

***Page 44***

Interrogation with Suspect

Name: HONG Sung hoon (Lawrence HONG) National ID#:

The interrogation is conducted by Prosecutor K in the presence of an Assistant Prosecutor H [PH].

Q: Tell me your name, age, date of birth, occupation, place of origin, and current address.

A: My name is HONG Sung hoon. My National ID # is (33 years old).
I run an investment firm.
Business address is "26902 Street, City of Southeast, WA 98075
[The name of the business is] "HNH Group INC"
My home address is , Kirkland, WA
Phone number is
The place of origin is

The prosecutor explained the charge brought against him and read him a right to refuse to partake in this interrogation and the suspect agreed to answer truthfully.

***Page 45 to Page 53***

Q: Do you have any prior conviction?
A: No.

Q: What brought you to this office?
A: I learned about the charge brought against me while I was visiting my in-laws in Korea, whom I visit three to four times a year, so I went to see an Attorney to seek advice and after talked with him, I decided to come to this office
Some times ago, when I came to visit my cousin in Korea, I met the accuser by chance. She trusted me with her funds for a "forward investment," and I made an investment for her but she suffered a loss. I think she brought the charge against me for that reason.

Q: What are your [latest] education level and [professional] experience?
A: I majored Finance at the University of Washington. I later worked for my parents' fund management firm for some times. Then in 1999, I found "HNH Group INC" and I am running it since.

Q: What is your family like?
A: I have father H [PH] (64 years old, runs a fund management firm), mother K [PH] (65 years old, housewife), wife K [PH], and don't have any children yet.

Q: How much is your assets and what is your monthly income?
A: I have a house worth of (the amount equivalent to) US$250,000 as a fixed asset and have US$55,000 in my bank account in America. I have debts of about US$2 million, and I have a monthly income of almost zero since my firm is operated at lose.

Q: Have you received any citation of merit or pension?
A: No.

Q: How about the military obligation?
A: I didn't have to serve since I immigrated to America with my family when I was nine years old.

Q: Have you ever joined any societal organization or political party/organization?
A: No.

Q: What is your religion?
A: I am a Christian.

Q: Do you have any alias or nickname?
A: My American name is Lawrence HONG.

Q: How is your health?
A: Pretty healthy.

Q: What is your nationality?
A: I posses American citizenship. My family immigrated to American when I was nine, and I grew up there since.

Q: A lawsuit was brought against you and an arrest warrant was issued, were you aware of these?
A: No.

Q: Do you know the accuser K [PH] (Age of 30)
A: I met her by chance when I went to visit my cousin at her dental clinic, and I learn that she was working for Seoul Stock Exchange, *Jamsil* Branch.

Q: At that time what were you doing for a living?
A: I was investing in stocks in the U.S since 1997, and from January of 2002, I was dealing a forward trading.

Q: Have you ever received US$100,000 from the accuser K [PH]?
A: Yes, I received total of US$100,000, over the period of two occasions.

Q: Did you receive them at the Oakwood Hotel on 01/14/2003?
A: Yes, although I can't remember the exact date, since I haven't kept the record, but I think it's correct.

Q: What was the money for?
A: She asked me to invest it in a forward market. She knew I was dealing a forward trading.

Q: Didn't you say the accuser worked for a stock exchange company?
A: Yes. She said she also deals a forward trading.

Q: How did she come about investing her money in a forward market through you?
A: After we met, we had an opportunity to get together to exchange information and thoughts on the Korean and the U.S. forward market. At that time I introduced to her the website I reference before I make my investment in the U.S. forward market. I even let her have my user id and the password for the site so that she can reference it for herself. After studying the market together for some times, we projected that the U.S. forward market index would decline in a near future thus, the accuser wanted to invest in the market now for a potential proceeds. But because of Korean law prohibiting an employee of a stock exchange company from involving in any trading, she asked me to invest it for her.

Q: What is forward trading?
A: It is to buying goods at the price which it was set at the time of signing a contract for future delivery.

Q: Did you actually made investment with that US$100,000?

A: I made investment in the stock index futures, combined index of DOW, S&P, and NASDAQ. With my own funds, I invested total of US$160,000 over the period of time.

Q: Did the accuser know about that?
A: Yes, of course. I had a discussion with her over this. We both projected that the stock price would go down as the war with Iraq was imminent.

[Omission]

Q: What was the outcome?
A: In contrast to our projection, the price of stock went up after the war, and we suffered a loss. By early June of 2003, I lost US$160,000 completely.

Q: How many investments did you made over that period?
A: Three to four investments, as far as I can remember.

Q: Did you talk with the accuser each time you were investing?
A: Yes, of course. Although our expectation fell short, general investors and the experts still anticipated that the stock price would fall, and we agreed. Thus I continuously made investment with her consent.

Q: Do you have any evidence that shows you made investment in the stock index futures?
A: Yes. I have my CPA in America to fax the relating documents to my hotel room in the Oakwood hotel. And since they are written in English, I will bring them to you after translating them into Korean.

Q: According to the accuser, you told her that you were a renowned hedge fund manager and L [PH], Hannara Party, Microsoft Vice-Chair, and Starbucks Chair are all your clients and (the amount equivalent to) US$2 to US$3 billion are under your discretion. And you had made enormous proceeds for P, your cousin, and K You not only told her that you have information on Trump Casino which will soon file a bankruptcy, and if she invest in the company, she can make proceeds of anywhere between 17 and 22 times. Also you pledged that you would return the principal back to her by the end of May of 2003.

[Omission]

Is that true?
A: Yes I told the accuser that I was a fund manager and that a stock index future trading is carried out by hedge fund managers. But I have never said anything about L or Hannara Pary, I don't even know who and what they are. I did not say Microsoft Vice Chair and Starbucks Chair were my clients, but I did say they Microsoft and Starbucks are the biggest corporation in Washington State when she asked. And I told her that I have seen them in person on the street once. I've never mention anything about Trump Casino. All I talked to her was about "forward market."

Q: Trump Casino, is there such company?
A: Yes. It is in the state of New Jersey, which is in the eastern part of the U.S. I live in Washington State which is in the western part of the U.S. It is sharing the border with Canada. Not only it would have been impossible for me to learn about the company [due to a geographical location], I have never have been interested in the company.

Q: Then how do you explain this promissory note?
A: (After reviewing the note) The date on the note is the date I left for America. On that day the accuser and her aunt came to the dental clinic where my cousin P worked so I talked with them for two to three hours. Her aunt claimed that the accuser is poor and that she must have her money back. When I told her that I don't have her money, she then shouted and grabbed me by the collar; she also begged me to return her money. I tried to explain to her what had happened and told her I also suffered a loss, but without listened, she shouted, "You can't go anywhere until she gets her money back" while used her body as a barricade to stop me from getting into an elevator. So that, although I had no obligation of returning her money, I wrote a statement, out of pity, in English on the bottom of the note as you see it. However, I am not quite sure whether I wrote it on a blank sheet of paper or on this note.

Q: Would you be able to attend a face-to-face questioning?
A: Of course, since the accuser can attend on 12/22/2004 at 14:00 hour, I will be here.

*Page 54*

After reviewed his statement with his wife K [PH], due to his somewhat limited understanding of Korean language, the accused hereby signed the statement confirming that the statement was consistent with all of his answers.

Finger print of HONG Lawrence and his wife K

Date 12/17/2004

Seoul Central District Court

Prosecutor's signature

***Page 55***

The document signed by HONG Lawrence is acknowledging that the interrogation was conducted under no duress or coercion and that the right of refusal to make statement was read to him.

***Page 56***

A copy of HONG's U.S. Passport

***Page 57***

This is HONG's hand written statement promising that he will return to the prosecutor's office for partake in a face-to-face questioning.

Date and HONG's signature in Korean

***Page 58***

This form is to request to remove HONG from the wanted list

***Page 59 to Page 66***

Transcription of the face-to-face-questioning of HONG and K

[To HONG]

Q: Did you make your statement truthfully last time?
A: Yes.

[Then the prosecutor brought the accuser K to the interrogation room.]

[To K

Q: Are you K, the accuser for this case?
A: Yes.

Q: Is that true that you delivered sum of US$100,000 over the period of two occasions as an investment funds for an American company called Trump Casino?
A: Yes.
[Omission: The rest of her answer is consistent with her earlier claim.]

Q: Is there anyone who knows about you delivered that money to the accused?
A: P [PH], L [PH], and K [PH] know about it.
I later found out that the accused approached I and K the same way he approached me—offered to make investment.

Q: Do you have their contact number?
A: I contact number is , and you could obtain K from I

[The prosecutor made a phone call to L and asked if K statement was true and L confirmed K claim. L said that the accused told her that he was also managing some of Korean celebrities' funds. When the prosecutor asked if she could testify in the court, she replied positively. Subsequently, when the prosecutor asked for K phone number, L told him that she would have K call him. After a short while, the prosecutor received a phone call from K. And she also confirmed K claim. K said that she was really interested in investing, but after consulted with other people, they advised her not to as it seemed most definitely a fraud. K also replied positively about testifying in the court and left her phone number, , with the prosecutor before ending the call.]

[To KANG]

Q: Did the accused guarantee the principal?
A: Yes. He said that the investment would not go bad and if somehow it goes bad, he said then he would bear the responsibility of returning the principal and the accused said the

same thing when K asked him of this on June of 2003, the day that I have the accused signed the promissory note.

Q: Is that true that the accused said he was managing L and H Party's funds and the Microsoft Vice Chair and the Starbucks Chair are his clients?
A: Yes. My friend P [PH] and P heard that also. And a few months later, when he showed up with Jaguar I asked him if he purchased the car, then he said "The party gave it to me," so I took it as Hannara Party has given it to him.

Q: The accused claimed that he had discussions about forward market with you but had never mentioned about Trump Casino, is that true?
A: He did explain to me about forward market and the [web] site he was referencing it with, and yes I did talk with him about the market trend. However the amount I delivered to him was for investing in Trump Casino. I did not know anything about Trump Casino. The accused is a pack of lies.

[Then the Prosecutor turned to the accused.]

[To the accused]

Q: Did you hear the conversation I had with L (L was heard on a speaker phone) and the one I had with K
A: Yes.

Q: You claimed previously that you had no idea who "L" and what "H Party" was, what do you say now?
A: Do I have to answer it now? (The prosecutor told him he had the right of silence, then) I won't answer it.

Q: I ask you again, did you answer truthfully last time?
A: Yes, I did.

[The prosecutor asked both the accuser and the accused.]

Q: Did you answer truthfully?
A: (Together) Yes.

Q: Do you have anything else to add?
A: (The accused) Please consider my statement as a reference.
A: (The accuser) I knew N [PH] through the accused, and he even told me that the accused is a swindler. N said his friend, who also got swindled by him, did some research on HONG and found out that he was neither an owner nor an employee of an investment firm. I would like to present N business card and the business card HONG gave to me when we first met.

[Signed by K and HONG Lawrence]

***Page 67***

Same as Page 45

***Page 68***

A letter apprising the prosecutor of the accuser K asking for a postponement of attending a face-to-face questioning until 12/22/2004 due to a cancer treatment.
K claims that she got the cancer by enormous stress over this case.

***Page 69***

Statement of K , HONG's wife

Attached documents are: wire transfer statements from Korean Exchange Bank and a copy of Elliott Wave.com, the site [HONG] referenced, and a copy of ELOCAL LLC website.

Finger printed by K

**339a**

*Page 70*

Customer Name: [HONG Sung hoon]
Customer Number:
National/Business Number [
Statement Period [01/01/2003 to 05/01/2003]
Print Date [12/16/2004]

| Transaction # | Date | Currency | Amount | Int'l Balance | Recipient Country | Receiver Bank | Transaction amt in $ | Status |
|---|---|---|---|---|---|---|---|---|

**340a**

***Page 71 and Page 72***

## Foreign Currency Deposit Statement

Customer Name: [HONG Sung hoon] National/Business Number [
Customer Number: [ Statement Period [01/01/2003 to 06/30/2003]

Account Number:
Branch: [Banpo Newcoa Branch (201) (02)534-6470]

Print Date [12/15/2004]

Type of Deposit: Foreign Currency Regular

| Trans. Date | Number | Trans Type | Branch | Branch# | Date of Reckoning | Cancel Date | Currency |
|---|---|---|---|---|---|---|---|

| Paid Amt | Deposit Amt | Balance | Depositor | Remarks |
|---|---|---|---|---|

***Page 73***

A copy of Elliott Wave.com site

***Page 74***

Summary Translation of Elliott Wave.com

***Page 75***

A copy of ELOCAL LLC website

***Page 76 to Page 81***

The accuser K statement

[Found no new information]

*Page 82*

The medical certification issued by the University of Chonnam Medical Center certifying that the accuser K[redacted] suffered from an ovary cancer and underwent surgery on 03/31/2004 and underwent series of "anticancer treatments" from 06/17 to 06/19.

***Page 83 to Page 87***

HONG Lawrence's statement

[Found no new information]

***Page 88***

Deposit Statement

1. 01/28/2003 Transferred US$55,584 to ELOCAL LLC (a forward trading company) (See Page 02)
2. 03/14/2003 Transferred US$30,000 (See Page 06)
3. 04/16/2003 Transferred US$20,000 (See Page 07)

Statement of profit and loss

Jan: US$13,371 profit (See Page 03)

Feb: US$43,895 profit (See Page 05)

Mar: US$113,221.00 loss (See Page 08)

Apr: US$1,375 loss (See Page 10)

May: US$81,525.75 loss (See Page 12)

Jun: US$21,599.40 loss (See Page 13)

I transferred the amount I received from K to H&H GROUP account on 01/27/2003 and 02/19/2003 and ELOCAL LLC on 01/28/2003, 03/14/2003, and 04/16/2003.

[Omission]

***Page 89 to Page 104***

Fax Coversheet and documents faxed from D , CPA to HONG Lawrence

***Page 105 to Page 107***

P Statement

In December 2002, I was having a dinner with HONG Sung hoon when we met K [the accuser]. She was with K (Co-owner of the clinic I run since 25 years ago. He is currently running a business which he started in year 2000) and his friends when they came and joined us.
A few days later HONG said that he wants to find a Korean fund manager for his Korean clients, so I recommended to call K and, with her permission, I gave her phone number to him.
He told me that he had spoken to her on the phone and that they had been discussing about forward and/or stock market.

I learned that she made investment through HONG in March when we became little bit closer. She told me that she made a huge investment through HONG and asked me if I did, too. I replied that I and K made investment as well.

I am not sure exactly when four of us (HONG, K , P and K had dinner, maybe it was in April. We talked about the forward market and its outlooks, and K checked the index on her cell phone, and the index was up and we were all depressed.

The situation became the worst in May and [we] suffered a big loss. But I couldn't say anything to HONG because he told me that his loss was even bigger than the rest of us.

I was having a lunch with HONG when I received a call saying that K and her aunt are waiting at the clinic, so that HONG, K , and I went up there and met them. They demanded the principal immediately. They were both very upset. They wanted HONG's written statement saying that he would pay back K loss by certain time. HONG said it was impossible for him to pay her by that time, but he signed the statement so that he would not miss his flight.

K tried to contact HONG numerous times but he never answered. So I called and advised him to talk to K and try to explain his situation to her and ask for more time. I even told him to worry about my and K [money] later, and to take care of K money first, but his answer was that there was nothing he could do.

[Omission]

*Page 108*

A form requesting to ban HONG from leaving the country

***Page 109 to Page 111***

The letter requesting to drop the charge against HONG

***Page 112***

A form requesting to extend HONG's banning from leaving the country

***Page 113 to Page 117***

[Same as Page 70 to Page 74]

***Page 118***

A letter requesting to forward any mail, including Court Order, from Seoul Central District to HONG Sung hoon to below address

Originated by HONG's lawyer

***Page 119 to Page 120***

Letter certifying the exchange rate the time HONG received K money to determine the exact amount of money K was victim of.

***Page 121***

A form with HONG's general information

***Page 122***

[Same as Page 4]

***Page 123***

Written Arraignment
Name : HONG Sung hoon

Charge: Fraud

Penalty: (the amount equivalent to) US$15,000
-----Request Deposit Order-----

***Page 124***

Delivery Notice of Court Order

Received by H , HONG's mother-in-law

351a

Wayne Seminoff Company

[redacted]

## FAX COVER SHEET

THE CONTENTS OF THIS COVER SHEET AND THE DOCUMENTS TRANSMITTED WITH IT ARE INTENDED ONLY FOR: Patrick Gary

RE: [redacted]

DATE: 4/6/06

FAX: [redacted]

PAGES TO FOLLOW: 8

The information contained in this FAX cover sheet and the documents transmitted with it are privileged and confidential.

If you are not the intended recipient you are prohibited from disseminating, distributing or copying this FAX cover sheet and the documents transmitted herewith and must call the telephone number above to give notice that you have mistakenly received these documents and you must return them by mail to the above address. Thank you.

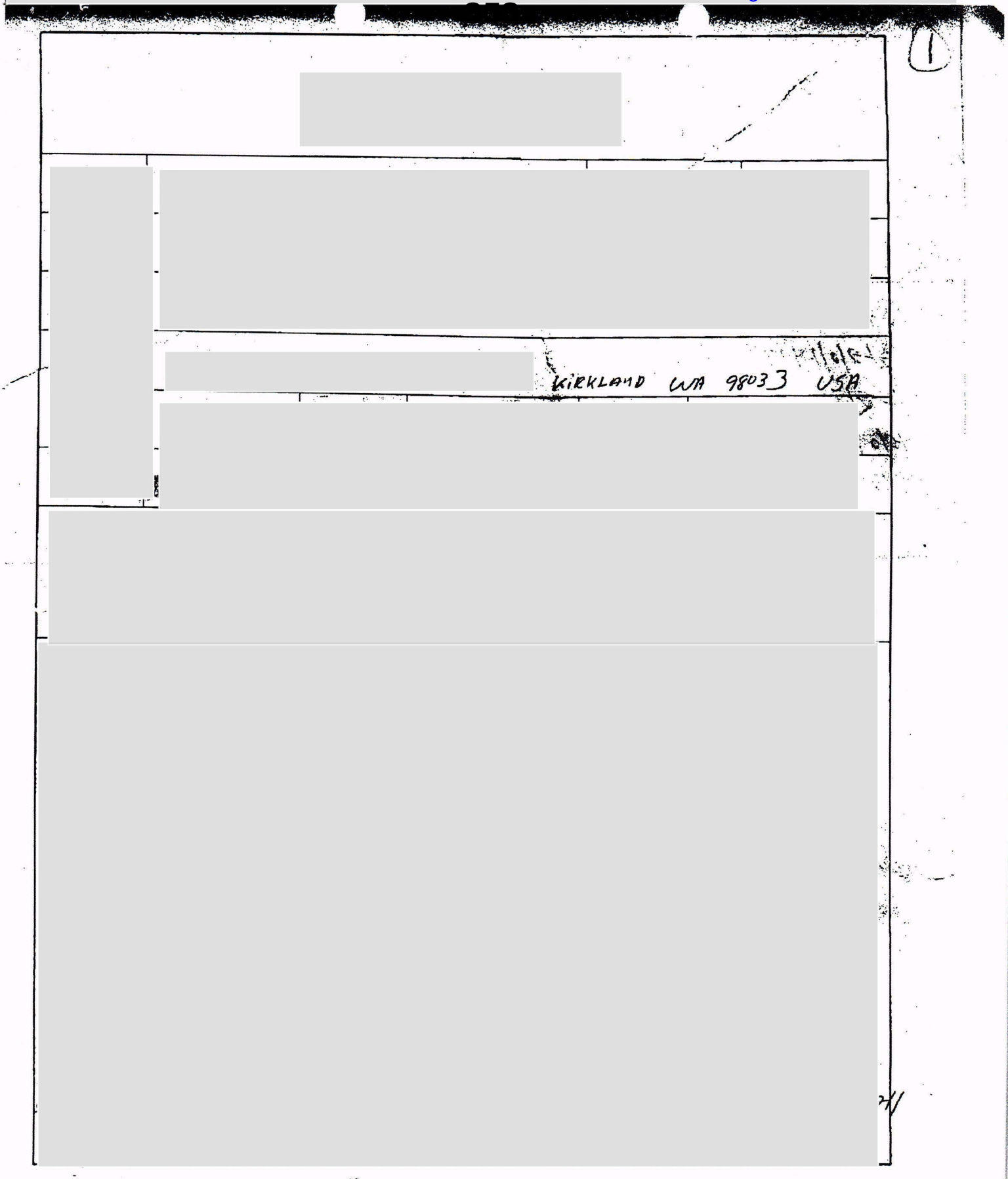
[redacted]

[TRANSLATION]

Name: HONG Sung Hoon ( ) AKA Sex: Male
Age: 33 ( 2971) Residential Registration No.:
Permanent Address: [blank]
Present Address: Kirkland, WA 98033, USA
Home Phone: Work Phone:
Occupation: Investment Employer: H&H Group, Inc.

The above named person, who is a suspect, victim, witness, reference [or informant]), hereby declare in his own writing at his own will, as follows:

Around December, 2002, I came to know the Plaintiff K through the introduction of my [female] cousin who was running a dental clinic at Apkujung-dong. As she had been introduced me as a person who engaged in a line of work similar to mine, I met her personally a few days later. Subsequently, I visited the Jamsil Branch Office of Seoul Securities where she was working and we browsed the forward transaction information site together in Oakwood Hotel room located at Samsung-dong where I was staying at the time. As such, we shared a lot of things about the line of work we were similarly engaged in. During our exchanges, we talked about our individual competency and confidence in performing our trade. In the midst of the conversations, I overstated myself as being a man of profession much more capable than I actually am. The greatest blunder I made was that I presented myself in a way that I had a personal on-going deal with the H Party and Mr. H I gave K my ID and password for the forward transaction information site that I was subscribing to. K looked at the information with interest and said she would like to make an investment in the forward business in the United States. So, with K and a friend of hers, I even went to a trading office in Kangnam where the forward transactions were said to be made. But for some reason I don't understand, we were not able to obtain an account and returned with empty hand. Subsequently, she said she would give me money so that I may invest it in the U.S. forward business market on her behalf.


KIRKLAND WA 98033 USA

[TRANSLATION]

DECLARATION

Name: HONG Sung Hoon
Residential Reg. No.:
Address: Kirkland, WA
Tel:

The above named person is the Defendant in the case pending in your court, Cause No. 2004 C[Criminal] 19876, and declares as follows:

Around December, 2002, I met my [female] cousin P, who was running a dental clinic, and, while chatting with her, I came to join a dinner table with other people who were her acquaintances. During the dinner, I came to know the Plaintiff K, whom those at the table introduced as a capable fund manager. Engaged in the same line of trade (a fund manager), we then shared the information related to our work and had chats of various topics, getting acquainted with each other.

K came to the Oak Hotel (located at Samsung-dong) where I was staying at the time, and we had times to drink coffee and dine together. In the midst of these, she showed her interest in the U.S. forward transaction market and even came to my room to watch together the actual transactions shown on the Internet that were producing profits. As for me, I visited at her invitation the Jamsil Branch Office of Seoul Securities K was working, observing in person how he was doing her work.

(1)

[redacted]

[redacted]

[redacted] Kirkland WA

[redacted]

[redacted]

[redacted]

[redacted]

[TRANSLATION]

*Certificate of Seal Impression (Seal)
- A copy of Residential Registration Card

-Find out with the Samsung Securities about the possibility of foreign investments
- Declaration and translation and summary of Supporting materials

H 02) 830-1291

Prosecutor's Office 02) 530-4426
530-4427
536-5420

A certain amount
5 million Won
Overseas Operation Team of
The company headquarters
2020-8000
721-7053

acct#

201-JSD-1005118
HONG Sung Hoon

acct #?

SEAL IMPRESSION, ETC. 1/1

Oakwood.
PREMIER
COEX CENTER

Oakwood.
PREMIER
COEX CENTER

[redacted]

[redacted]

159 Samsung-Dong, Gangnam-Gu, Seoul 135-525, Korea
Tel. (82-2) 3466-7000 Fax. (82-2) 3466-7700
E-mail : seoul@oakwoodpremier.co.kr
www.oakwood.com

159 Samsung-Dong, Gangnam-Gu, Seoul 135-525, Korea
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E-mail : seoul@oakwoodpremier.co.kr
www.oakwood.com

Oakwood.
PREMIER
COEX CENTER

201 - 35D - 10651/18

[redacted]

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E-mail : seoul@oakwoodpremier.co.kr
www.oakwood.com

[TRANSLATION]

TRANSLATION AND SUMMARY OF SUPPORTING MATERIALS

*Deposits in Forward Transaction Account

1. Jan. 28, 2003 – Remitted $55,584 to ELOCAL LLC (Forward Transaction Company) (Refer to Page 02)
2. Mar. 14, 2003 – Remitted $30,000 (Refer to Page 06).
3. Apr. 16, 2003 – Remitted $20,000 (Refer to Page 09).

*Profit and Loss

| | | |
|---|---|---|
| January: | $13,371 | Profit (Refer to Page 03) |
| February: | $43,995 | Profit (Refer to Page 05) |
| March: | $113,221.50 | Loss (Refer to Page 08) |
| April: | $1,375 | Loss (Refer to Page 10) |
| May: | $81,525.85 | Loss (Refer to Page 12) |
| June: | $21,599.40 | Loss (Refer to Page 13) |

The fund received from K was transferred to the H&H Group account through the Korea Exchange Bank on January 27 and February 19, 2003 and was then wired into the account of ELOCAL LLC (forward transaction company) over three times on January 28, March 14, and April 16 of the same year, respectively.

In January and February, a profit of about $13,000 and $43,000, respectively, was realized. From the month of March on, however, with the outbreak of the Iraq War, the investment went astray and began to sustain losses. By the end of May, all the principals, plus the profits gained in the months of January and February, were lost.

# Exhibit G

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

— — —

HONORABLE JAMES L. ROBART, JUDGE PRESIDING

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UNITED STATES OF AMERICA, Case No. CR07-033-JLR

Plaintiff,

vs.

LAWRENCE HONG,

Defendant.

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SENTENCING HEARING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Seattle, Washington

January 14, 2008

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APPEARANCES:

For the Government: Mark Parrent, AUSA

For the Defendant: John Wolfe, Esquire

Reported by: Nichole Forrest, RDR, CRR, CRC

Proceedings recorded by mechanical stenography. Transcript produced by Reporter on computer.

PROCEEDINGS

(The following proceedings held in open court.)

* * *

THE COURT: Please be seated. The clerk will call this matter.

THE CLERK: CR07-33, United States versus Sung Hong. Counsel, please make your appearance.

MR. PARRENT: Mark Parrent for the United States. With me is Special Agent Taggert from the FBI.

MR. WOLFE: I'm John Wolfe. With me is Mr. Hong, who is present.

THE COURT: We are here for the sentencing phase in this matter. Let me tell you what I've had an opportunity to review and some preliminary conclusions. I've had an opportunity to review the plea agreement, which, for purposes that occur at the end of this proceeding, contains a waiver on appeal; the defense memorandum, including the attachments that came with it; the government memorandum; and the presentence report. And the one that I've used is revised as of November 6th, 2007.

Mr. Wolfe, have you and your client had an opportunity to review that?

MR. WOLFE: Yes, we have.

THE COURT: I believe that this total offense level

of 18, with a Criminal History Category of 1, which would give rise to a guideline sentencing range of 27 to 33 months, which is my intention to use as a departure point in this matter.

And it is represented, in some of the materials that I've reviewed, that there are victims present who wish to speak. In accordance with the law in the Ninth Circuit, I will have that happen.

So there did not appear to be any factual disputes that needed to be resolved. There is, obviously, some difference in the conclusions to be gathered from the facts as presented.

But if that's the case, Mr. Wolfe, I'll hear from you first.

MR. WOLFE: Your Honor, I understand that Mr. S would like to address the Court. We would like to reserve our comments until after we've heard from him, if that would be satisfactory.

THE COURT: Well, why don't I hear from you now, and then you also will get the last word.

MR. WOLFE: Well, that's wonderful. Thank you.

THE COURT: I get the last word.

MR. WOLFE: That's an unusual experience for me to get the last word.

THE COURT: I get the last word. You'll get to speak

last for the lawyers.

MR. WOLFE: I have submitted a presentence report, which summarizes the defense position and we're asking for a sentence of 24 months.

We believe that Mr. Hong has, from a very early point in this matter, accepted responsibility. He's acknowledged to Mr. S that he had misappropriated monies. He acknowledged to Mr. S that the threat about the plan was contrivance. And, indeed, he went so far as to hire the Williams Kastner Firm, and Mark Davidson, who is present and in court today, to work with him and to effect the settlement which, through really no fault of Mr. Hong's, it failed. The settlement simply failed and parties were simply not able to renegotiate that settlement in good-faith effort to partially reimburse Mr. S

I can represent to the Court that we have, Mr. Hong and I, have spent quite a bit of time together in intervening months since his arrest. And I have watched him go through, well, not only just the process of accepting responsibility internally but a growth process, which I think will do him well upon his release.

He understands that the Court will send him to federal custody today. And he has been thinking about his life retrospectively and how he chose to live. We tried to reflect that in the sentencing papers.

Mr. Hong had also asked his mother to make arrangements to have various members of her church and her friends and his friends present in court today, to allow him to make as much of a public apology to his community, as well as the apology he intends to make to Mr. S, during the time that he addressed the Court. The number of people that you see present in the court today are here so that Mr. Hong can address them and express his apology to them for the dishonor he has brought upon himself and his community.

Fraud cases are different than many cases. It's not a crime of violence in the traditional sense of physical injury. But we do recognize that economic injury is significant -- poses significant harm.

Mr. Hong, as I've indicated, intends to address that early on. He's fully accepted his responsibility. We do believe that there are exceptional circumstances in this case that would warrant the Court to impose a sentence below the recommended guideline range.

THE COURT: Mr. Parrent, would you like your victim to go first or follow you?

MR. PARRENT: Maybe if he follows me.

I'm, obviously, not going to repeat everything in the sentencing memorandum, but I would like to emphasize just a couple of things. One, what does make this case different than the typical fraud case is, it's not bad enough that Mr.

Hong took so much of Mr. S's money. That's hard enough for Mr. S as it is. But then in an effort to perpetuate the fraud and prolong it, he made these threats about the involvement of this fictitious group known as the "clan." He obviously did that to instill some fear in Mr. S to make him act more the way that Mr. Hong wanted him to.

So that's just -- that's something that's not seen very often in these cases. That is why the government is recommending the high end of the advisory range.

I would just address one thing that Mr. Hong, through his counsel, has pointed out as something that would be mitigating, which is his attempts to settle this with Mr. S. I would point out that what he was trying to do was to refinance a house. Now, Mr. Hong didn't have a job at the time. There was no source of legitimate income. And so if -- that doesn't look like a promising way to come straight, which is trying to somehow talk a bank into loaning you money on a house that you don't have any plan on how you're going to make payments on the house. Eventually, the house was foreclosed on. So I just don't think that attempt to conduct that financial transaction is something that necessarily is in his favor.

On the other hand, the fact that he's -- he has all the people who are here today and is going to speak to them, that

can't be easy. That's not something we see very often in these kind of cases. So give him credit for that. I think that's, obviously, a positive step.

But the government does recommend 33 months, which is the high end of the range.

Mr. S is here. Now would be an appropriate time.

THE COURT: Let's hear from Mr. S Please step forward, sir.

Mr. S I'll just make two requests. First, you'll have to introduce yourself for the record.

Mr. S My name is W S S

THE COURT: Second, Mr. S , you're afforded a statutory right to speak today. I'm interested in what you have to say. It is more constructive for me if I can hear about the impact of this crime on you, as opposed to your feelings about Mr. Hong.

My either high point or low point in allowing the victims to speak was when one person finished by gesturing with one finger toward the defendant. And that didn't accomplish anything. I'm sure I don't have to worry about that with you. Just know that that's what I'm interested in is how this impacted you, sir.

Please proceed.

Mr. S The main point I want to make is that

this is a case involving a threat of death to me and my family. This is -- the paperwork that I read doesn't really state -- come to say what really happened from a threat standpoint to myself and my family.

What I would like to ask the Court is, when I'm done speaking, if the Court agrees, I would like to see him get an extended sentence above and beyond the 33 months. Hopefully, in the ten-year range. But anyways.

What had happened is Hong threatened that if I didn't give him $500,000, my daughter would be brutally tortured, mutilated, and murdered. Then after that, I would be next, but I would be forced to watch my daughter being slowly killed. And then all the people associated with me would also be killed.

Here is some quotes that are taken from the tapes that were recorded where Mr. Hong didn't know he was being recorded. This is part of the Court file. He said: Wayne, it will be a slaughterhouse. It will be so awful and horrific that you won't be able to stand it. Her funeral -- my daughter's funeral will require a closed casket because her body will be so disfigured, you won't -- no one will want to see it. It's just like the Samsung daughter who was killed by these people. They also had to have a closed casket funeral, because she was murdered by the clan in such a brutal way.

The point I'm trying to make is, Mr. Hong -- here's the story. A man walked into a bank with a .357 revolver, points it at the clerk and says: Give me all your money. I'm going to kill you and blow your brains out. He walks out, gets caught. You know what? The gun wasn't loaded. I didn't really mean any harm to the lady, so she has no complaint.

My complaint is, I believed Mr. Hong was going to kill me and my family. And whether the gun was loaded doesn't make any difference. He used that to extort basically all the money I have from me. He took all my cash. And I had to borrow a half million dollars to get the money within a week, under threat of death, in order to save my daughter's life and my life. That was in my mind, which I did do.

Hong preys on older, weaker people. With myself, I just had had a heart attack. I was near death and had -- one-third of my heart was permanently damaged. Since I found out about Hong's stealing my money, I was in the hospital six times for heart problems. And, still, I'm having a difficult time, because I can't work enough to make the money to pay back the money he's taken from me.

I had to borrow the 500,000. I still owe the 500,000. I paid $75,000 in interest, just to keep those loans current, and I've not been able to make any principal payment. I can only work a few hours a day and I can barely break even to pay my rent and my expenses.

In the pleadings, Hong says -- they say he voluntarily offered to pay off my debt. He never made a payment to me voluntarily. The 300,000 that I got back in this case, I had seized without Hong's knowledge in advance, on a civil case. And had he known, he would have hidden that money some other place. But I got that money back.

And since that time, he said, Well, I'll pay you back. But he's never paid me anything back. The only thing I got was two jet skis that he owned. And he did offer to give me equity in his house, but the equity in the house -- this is the house that he did a $900,000 loan scam on. He walked away with $900,000 the day he bought the house, with a fraudulent appraisal with some people he was working with. So the house is way over-valued. He was already in debt with the house more than the house was worth.

And during the year after I caught Hong, and caught him red-handed basically, he tried to -- he asked me to join him to defraud other people three or four times during that year period, including the U.S. Bankruptcy Court, and various schemes where he asked me to do false statements that would make the bankruptcy court think that he was due some money. I didn't agree to any of those.

Mr. Hong has never worked. According to court records, he's been conning people for 20 years, since he was 15 years old. According to court records in Korea, he's been doing

the same thing when he visited Korea.

Mr. Hong is a genuine threat to society. He's extremely arrogant. He told me several times things like this, that: So what if I get two years in a prison for something I'm doing. He says: I'll go to a country-club prison, and I'll be out in two years and that's no problem. He said, I can live with that.

And then, also, from a monetary standpoint, let's say you give him three years, with the amount of money he's taken, he'll be making $350,000 a year by staying in prison, which is a pretty good deal. Making a lot more money than I'm making.

Also, when he's released he's going to go back to his family, to a mother who, when confronted with this whole thing, believed that the crimes were all my fault, not his fault. And refused to accept that a son, who is a bad boy, who had taken my money and threatened me with death. And so if he's put back in that environment, I'm sure he's going to continue to do what he's done in the past.

And before I read this -- you know, what it's done to me. I had retired at that point where I met Mr. Hong. And I retired because of my heart attack. And now he's taken all my savings, and I'm -- I have to go and work now. And it's all I can do. I work as hard as I can, but I can only work a few hours a day. It's a real burden on me. Then I still

have to pay a half-million dollars at some point. If I do make money, I have to pay this money back.

He had no qualms in threatening my life, my daughter's, my family, my other relatives' lives. All he cares about is making money, and he's just -- anyway. I'll stop about that.

Here's a copy of what the Court should continue to impose a sentence. One says the nature and circumstances of the offense. He took a million dollars from me. It actually wasn't 800,000. It was a million.

And the history and characteristics of the defendant, he's never worked his whole life. All he's ever done is steal money from people, him and his family. That's part of the court records.

Two, to impose the sentence, the Court has to reflect on the seriousness of the offense. He threatened death to get money. That's pretty awesome.

To promote the respect for the law. He has extreme arrogance for the law and believes he can outsmart any court, any judge, any attorney. He's done that in the past successfully. This is the first time he's ever been actually put in jail, because he's so skilled at manipulating the courts and attorneys and defendants. He's very skilled.

And to provide a just punishment. The main item here is item (C), to protect the public from further crimes of the defendant. My goal here today is that he is removed from

society so he can't hurt anybody else. He won't stop. He can't stop. And if he gets a short sentence, he's just going to be back out there doing this stuff again.

So in light of those items, I would ask that the Court deliver the maximum sentence possible. This is a 20-year sentence that is possible on this case. I would ask that the Court give him at least ten years to keep him removed from society, for the reasons that he's a career criminal; he's just arrogant; he doesn't care about the law of the courts; he doesn't care about threatening death to people; and to protect the futures of other people he will try and take advantage of.

THE COURT: Sir, before you sit down, you've mentioned several times that there are prior court records. Where are those located?

Mr. S There's two groups. The FBI has the recordings, and they have recordings. The other --

THE COURT: I'm more interested in other judicial proceedings.

Mr. S If you go to the King County Court Register and look up "Sung Hong," you can see that, from the age of 15 years old on, he was defrauding people, and people bringing court actions against him to get their money back. From the age of 15. He acted as a team with his mother, started at 15.

And, also, I have copies of the court records from Korea where he did the same thing. I have a copy of the pleadings that show that he did the exact same scams in Korea and was caught and tried. And that's probably why he went to Korea and came back. Those are public records and they were available. I can provide them if you want them.

THE COURT: All right. Thank you, sir.

Mr. Hong, this is your opportunity to speak.

THE DEFENDANT: Well, Your Honor, I'm here today to atone for my mistakes.

Just what the government prosecutor said, I had my mother bring out a lot of the leaders in the community, some religious leaders and also business leaders. But, first of all, I would like to deeply apologize to Mr. S and his family for the grief I caused them. And there is no excuse for what I did.

Second, I like to apologize to my community. That even though, relatively, I had a good nurturing and all the opportunities represented to me, for whatever reason that I did for shaming my community and bringing great grief and embarrassment.

And, also, I like to take my time right now to apologize to my mother. As you know, Your Honor, I've been locked up for a little more than a year now. And I truly believe that my mother suffered more than me. Excuse me. I realize that

not only, through my wrongdoing, did I incarcerate myself, but I also incarcerated my mother emotionally and mentally.

But in light of all this, a couple of the good things that came to light is, through my one year in FDC, I had a lot of time to reflect upon my life and also the things I did that is wrong.

And, here, today is two missionaries, Sue and Paul. They come to SeaTac FDC every Monday evening, to spread the word. And through their counsel and teachings, I was really enlightened on the ways that I was living my life wrong.

And, Your Honor, once I get back into society, not only will I try my best, even if it means getting menial jobs -- multi-menial jobs, I'll try my best to pay back my debt to Mr. S, and you'll never see me here again, because I learned my lesson being incarcerated.

And just simply put, I've told my attorney here, John, one time when he asked me to reflect upon my mistakes, I said, Wow. Regardless of how I was living, or whatever not, that being locked up in here, you know, a guy has a better life than me.

THE COURT: Mr. Hong, have you ever been involved in prior court proceedings?

THE DEFENDANT: Civil court proceedings.

THE COURT: What were those in connection with?

THE DEFENDANT: Besides Mr. S, there was a

civil lawsuit with Mr. C [phonetic.]

THE COURT: Those are the only two?

THE DEFENDANT: Back in '97, there was a civil lawsuit between me and a former partner, which was a CPA, and we decided to settle.

THE COURT: All right. Anything else you would like to say, sir?

THE DEFENDANT: No, Your Honor.

THE COURT: All right. Thank you.

Mr. Wolfe, I promised you the last word.

MR. WOLFE: Just very brief comment. We're unaware of any extensive prior criminal history either here or in Korea. Mr. Hong left Korea at age 8. I'm unaware, and I know pretrial services is unaware of any prior extensive record.

THE COURT: The Court has indicated the noncontroversial conclusion that this is an offense level of 18 and a Criminal History Category of 1. For the benefit of our audience, the system or regime of sentencing in the federal courts has been undergoing some change in the last few years.

Many years ago now, the Judge was relatively free to impose any sentence that he or she wanted. That system was replaced by one where you calculated an offense level, you calculated a criminal history category. In using a graph,

you were told what sentence to impose. That system has now been replaced by one in which I use that as a point of departure.

I am told to look at 18 U.S.C. 3553(a), where various factors are listed as guiding principles in terms of sentencing, all with the touchstone of generating a sentence which is sufficient, but not greater than necessary to comply with the purposes of sentencing.

Mr. S mentioned those factors. I will go through them now and give you my factual determination in regards to them, because they ultimately are what guide my sentence in this matter.

The first is the nature and circumstances of the offense. In this instance, I find those to be horrific. Not only were innocent people victimized by Mr. Hong, but, as Mr. S so graphically told us, this was tantamount in its latter stages to someone being verbally mugged, their life threatened, their children's lives threatened. It is behavior that the Court finds disgusting.

And it was done for the purpose of eliciting financial gain. It is not a bad analogy to talk about the fact that a person who goes into the bank, they don't even show the gun. They just say, I have a gun, and they threatened the person. That individual has no way of knowing. They accept, as true, what you tell them.

The second factor that I look at is the history and characteristics of the defendant. And about the only positive thing that I can find in regards to Mr. Hong is the fact that, apparently, he may have a gambling problem. Other than that, we have someone who apparently has largely existed, at the sufferance of his mother, who has permitted him to engage in a lifestyle that would out-value. I search the record before me to find something encouraging to say. About the best I can come up with is that I'm sure Mr. Hong loves his mother dearly.

The third, fourth, and fifth factors are the community's involvement in the sentencing process. The need to promote respect for the law and the need to provide just punishment for the offense are two prongs of that third factor.

In terms of promoting respect for the law, the interest of the Court is to ensure that behavior which is not acceptable in our society is not seen as being condoned. And the hardest thing that I do each time that I sentence, and that is to determine what is just punishment for the offense. Does it benefit Mr. Hong to spend time in jail? It apparently has benefitted him in that he's gained some insight into himself and, hopefully, has found some structure and direction in his life; that he faces another, more extended period of the same.

The fourth factor is adequate deterrence to criminal

conduct. And the gloss placed on that factor is that other people don't assume that it's easier to defraud people and to threaten them verbally than it is to get an honest job and go out and work. That's adequate deterrence to future criminal conduct.

The fifth factor is to protect the public from further crimes of this defendant. And it is clear that having exhausted Mr. S s resources, Mr. Hong chose to pursue another person mentioned in the presentence report.

I lack the adequate financial or factual record to know, one way or the other, if there was a further victim beyond that. It's insinuated in some of the filings that there is. But I am not going to accept that, in that I don't have a level of proof that I'm comfortable with.

The last factor that I examine is the need to provide the defendant with needed services and correctional treatment in the most effective manner. In this instance, that alternative, given the nature of the crime in this matter, is time in jail.

Having considered each of those factors and striving to come to the sentence, which seems to me to be the fairest that I can come up with, I note that the guideline range that is recommended in this case would be a low of 27 months and a high of 33 months.

Mr. S , there are often very long sentences, but

they don't take into account the defendant's prior criminal background. And that is, as calculated by the very capable probation staff, is the range that would be available under the guidelines.

Having considered that, it is the judgment of this Court as follows:

Restitution in the amount of $925,834 is due immediately and interest shall be waived. Any unpaid amount is to be deducted from Mr. Hong's inmate financial responsibility program while incarcerated.

As to Count 1, the defendant shall be committed to the custody of the United States Bureau of Prisons for a term of 33 months. Upon release from imprisonment, the defendant shall serve a three-year term of supervised release subject to the standard conditions, as well as the special conditions set forth in the sentencing recommendation and included into the judgment.

The Court finds the defendant does not have the ability to pay a fine. And the defendant shall pay a special assessment in the amount of $100, which shall be due immediately.

Due to the charging decision that was entered into by the United States Attorney's Office and the very capable defense, which was afforded Mr. Hong by his lawyer, that is about the maximum that the Court has available to it without engaging in some extraordinary levels of punishment.

Mr. Hong, I have no certainty that you're getting any of this message, but at least you're going to get 33 months to think about it. And I can secondly tell you that if you do end up here again, the next time it's not going to be a slight increase; it will be a dramatic increase.

I find your conduct to be unexplainable. I find it to have dishonored, most importantly, to you, but also your family. I do not understand how you can go around threatening even imaginary threats to kill or maim someone, and then extend that to their family. It is conduct that the Court simply is unable to fathom.

I'm going to ask each counsel if they have anything to add before I impose sentence.

Mr. Parrent.

MR. PARRENT: As to the restitution, for the Court's consideration, and I reviewed it with Mr. Wolfe, is a slightly revised figure which takes into account two things.

One, Mr. Hong agreed, as part of the plea agreement, to make restitution to Mr. H [phonetic], another defendant in that civil case that was mentioned earlier. Although that is not relevant conduct, there is an agreement to make restitution. Some of that was already made.

So the total, with the restitution to Mr. S is $870,834. And it's broken down into three amounts in the proposed judgment.

THE COURT: That will be the number used by the Court.

Anything further?

MR. WOLFE: Nothing further.

THE COURT: Then that will be the sentence of the court at this time.

There is a waiver of appeal in this matter. So Mr. Hong, as part of your plea agreement, you waived certain rights to appeal the sentence in this matter. Such waivers are generally enforceable; but if you believe the waiver is unenforceable, you can present that theory to the appellate court.

You have a right to apply for leave to file in forma pauperis, and the clerk of the court will prepare and file notice of the appeal upon your request. You should be aware that, with few exceptions, any Notice of Appeal must be filed within ten days of the entry of judgment.

I direct that a copy of the presentence report and the judgment be provided to the Bureau of Prisons and also the United States Sentencing Commission.

Do you have a judgment prepared?

MR. PARRENT: I do. May I approach counsel?

THE COURT: Yes.

MR. WOLFE: I've reviewed the judgment. It appears to be correct.

Mr. Hong is asking if the Court would consider recommending his placement at FDC SeaTac for the remainder of his sentence, to serve the rest of his sentence.

THE COURT: That's not an available option. The closest Bureau of Prisons facility would be Sheridan.

MR. WOLFE: I've explained that. He wanted me to make a request. I guess, the backup would be Sheridan.

THE COURT: All right. I'm going to return the judgment to counsel. If you want to make a recommendation to Sheridan, why don't you see Ms. Condon over the break. I'll allow that to be interlineated.

Counsel, anything further at this time?

MR. PARRENT: No, Honor.

THE COURT: Mr. Wolfe, anything from you?

MR. WOLFE: No.

THE COURT: Ladies and gentlemen of the audience, I'm going to ask you to do the Court a personal favor. When you go home tonight, would you talk to your children or your grandchildren and explain to them what is right and what is wrong.

And that every Monday when I come out here and I preside over these sentencings, it doesn't do me any good. Many times, it doesn't do society any good, other than to get people out of our communities.

And, secondly, I think we need to go back to some basic

principles about honesty and integrity and respect of the community. I'm sorry, you needed to see this today, but it's important that you did. And I very much appreciate you attending.

(Proceedings concluded.)

* * *

C E R T I F I C A T E

I hereby certify that pursuant to Title 28, Section 753 United States Code, the foregoing is a true and correct transcript of the stenographically reported proceedings in the above matter.

Certified on 8th day of August, 2018.

/S/ Nichole Forrest
Nichole Forrest, RDR, CRR, CRC

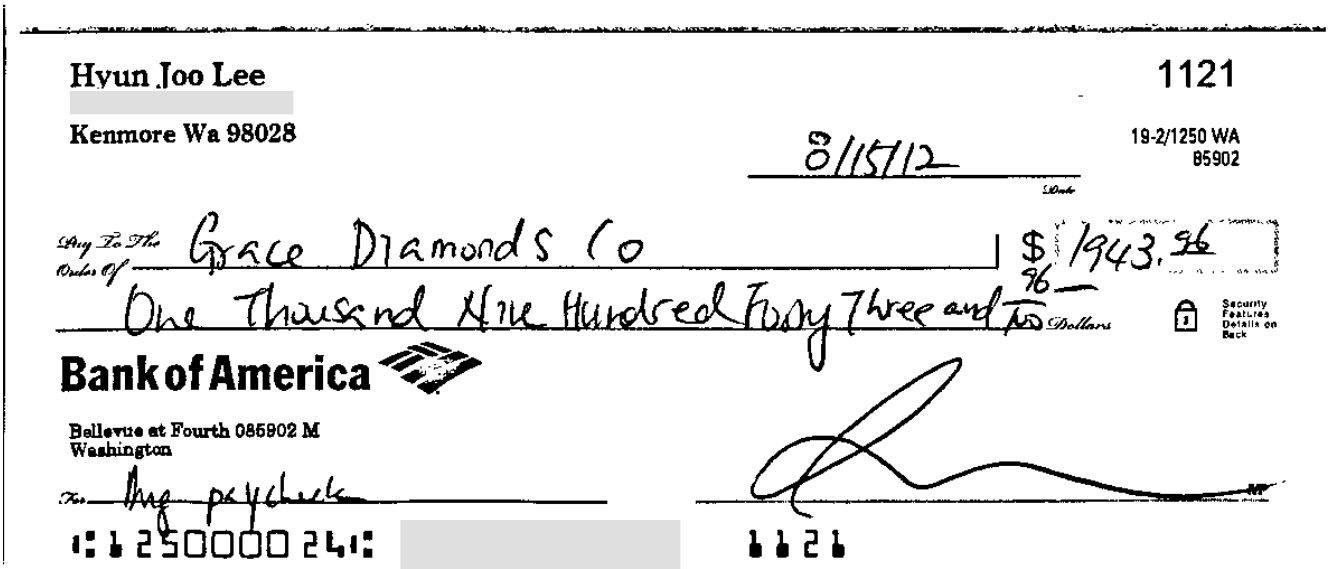
# Exhibit H

# 386a

Amount: $1,943.96 Sequence Number: 9692571214

Account: Capture Date: 08/15/2012

Bank Number: 12500002 Check Number: 1121



Hyun Joo Lee

Kenmore Wa 98028

1121

19-2/1250 WA
85902

8/15/12
Date

Pay To The Order Of Grace Diamonds Co $ 1943.96

One Thousand Nine Hundred Forty Three and 96/100 Dollars

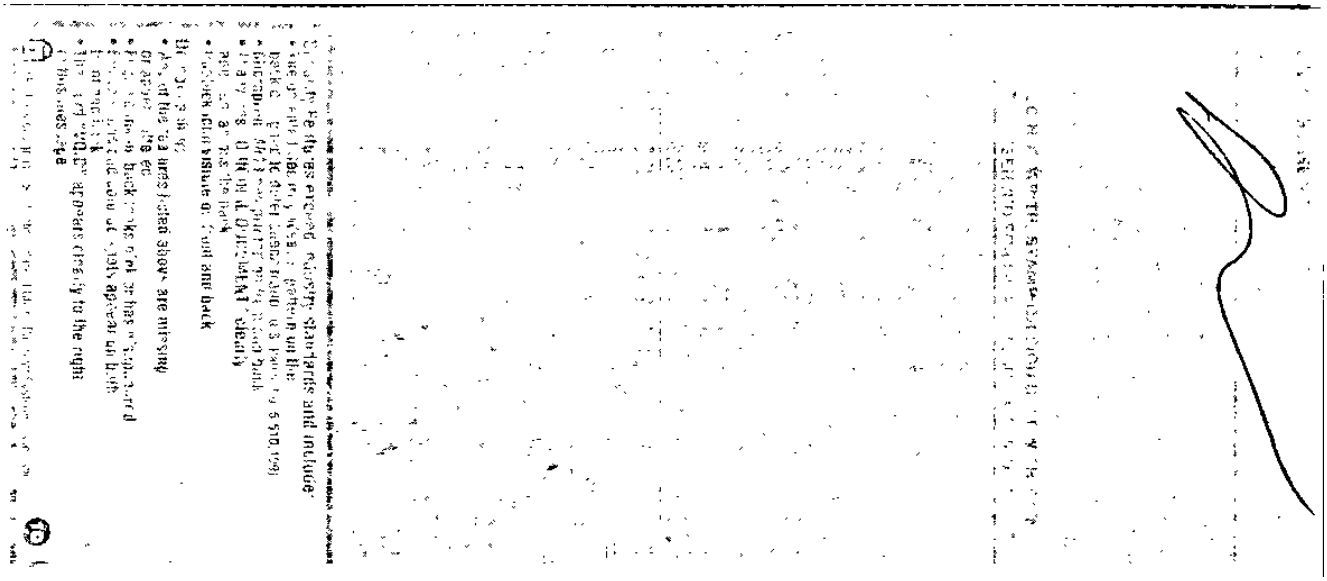
Security Features Details on Back

Bank of America

Bellevue at Fourth 085902 M
Washington

For the paycheck

⑆125000024⑆ 1121



Electronic Endorsements:

| Date | Sequence | Bank # | Endrs Type | TRN | RRC | Bank Name |
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| 08/15/2012 | 009793303514 | 91000022 | Undetermined | N | | U.S. BANK NATIONAL A |
| 08/15/2012 | 1273192220 | 123000220 | Rtn Loc/BOFD | Y | | U.S. BANK NATIONAL A |
| 08/15/2012 | 009692571214 | 121103886 | Pay Bank | N | | BANK OF AMERICA, NA |
| 08/15/2012 | 009793303514 | 123000220 | Undetermined | N | | U.S. BANK NATIONAL A |

**387a**

| Account Number | Transaction Type | Post Date | Description | Check # | Payee/Payer | Account # | Memo | Debit | Credit | Notes |
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| UNIBANK - | DEPOSIT | 1/28/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,138.41 |
| UNIBANK - | DEPOSIT | 2/7/2011 | Deposit | | GRACE DIAMONDS | | 1/9/11 - 1/20/11 | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | DEPOSIT | 2/7/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | CHECK | 2/10/2011 | Check # 5239 | 5239 | GRACE DIAMONDS | | | -2,000.00 | | |
| UNIBANK - | CHECK | 2/16/2011 | Check #5241 | 5241 | GRACE DIAMONDS | | | -319.00 | | |
| UNIBANK - | DEPOSIT | 3/11/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.95 |
| UNIBANK - 11006310 | DEPOSIT | 3/11/2011 | Deposit | | GRACE DIAMONDS | | | | 572.48 | TOTAL DEPOSIT OF $1,144.95 |
| UNIBANK - | DEPOSIT | 4/4/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | DEPOSIT | 4/4/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
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| UNIBANK - | DEPOSIT | 5/26/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | DEPOSIT | 6/24/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.96 |
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| UNIBANK - | DEPOSIT | 7/26/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | DEPOSIT | 8/31/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.95 |
| UNIBANK - | DEPOSIT | 8/31/2011 | Deposit | | GRACE DIAMONDS | | | | 572.48 | TOTAL DEPOSIT OF $1,144.95 |

**388a**

| Account Number | Transaction Type | Post Date | Description | Check # | Payee/Payer | Account # | Memo | Debit | Credit | Notes |
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| UNIBANK - | CHECK | 10/5/2011 | CHECK #5421 | 5421 | Grace Diamonds | | | -1,966.00 | | |
| UNIBANK - | DEPOSIT | 10/13/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
| UNIBANK - | DEPOSIT | 10/13/2011 | Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,144.94 |
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| UNIBANK - | DEPOSIT | 10/25/2011 | Regular Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,583.23 |
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| UNIBANK - | CHECK | 12/1/2011 | CHECK #5443 | 5443 | Grace Diamonds | | | -20,000.00 | | |
| UNIBANK - | CHECK | 1/9/2012 | CHECK #5476 | 5476 | Grace Diamonds | | | -2,928.76 | | |
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| UNIBANK - | CHECK | 2/21/2012 | CHECK #5097 | 5097 | Grace Diamonds | | | -5,000.00 | | |
| UNIBANK - | DEPOSIT | 2/21/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 572.47 | TOTAL DEPOSIT OF $1,155.01 |
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| UNIBANK - | DEPOSIT | 3/8/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1,194.38 |
| UNIBANK - | DEPOSIT | 3/8/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1,194.38 |

**389a**

| Account Number | Transaction Type | Post Date | Description | Check # | Payee/Payer | Account # | Memo | Debit | Credit | Notes |
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| UNIBANK - | CHECK | 3/21/2012 | CHECK #5555 | 5555 | Grace Diamonds | | | -1,501.42 | | |
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| UNIBANK - | DEPOSIT | 4/18/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1,194.38 |
| UNIBANK - | DEPOSIT | 4/18/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1,194.38 |
| UNIBANK - | CHECK | 4/19/2012 | CHECK #1071 | 1071 | GRACE DIAMONDS | | | -1,545.61 | | |
| UNIBANK - | CHECK | 5/3/2012 | CHECK #1079 | 1079 | GRACE HWANG | | | -100,000.00 | | |
| UNIBANK - | DEPOSIT | 5/14/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1158.38 |
| UNIBANK - | DEPOSIT | 5/14/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 597.19 | TOTAL DEPOSIT OF $1158.38 |
| UNIBANK - | CHECK | 5/14/2012 | CHECK #1085 | 1085 | GRACE HWANG | | | -1,800.00 | | |
| UNIBANK - | CHECK | 5/24/2012 | CHECK #1012 | 1012 | GRACE DIAMONDS | | | -100,000.00 | | |
| UNIBANK - | CHECK | 6/21/2012 | CHECK #1027 | 1027 | GRACE DIAMONDS | | | -3,328.13 | | |
| UNIBANK - | DEPOSIT | 7/3/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 1,194.37 | |
| BOFA - | CHECK | 8/16/2012 | Check 1121 | 1121 | GRACE DIAMONDS | | AUG PAYCHECK | -1,943.96 | | |
| UNIBANK - | DEPOSIT | 8/20/2012 | Regular Deposit | | GRACE DIAMONDS | | | | 1,194.38 | |
| UNIBANK - | CHECK | 4/4/2013 | CHECK #5687 | 5687 | GRACE HWANG | | Grace K Hwang | -75,000.00 | | |

# Exhibit I

| Case Name and Number/Trial or Plea | Nature of Investment Fraud | Criminal History | Guidelines Range | Loss Amount | Sentence Imposed |
|---|---|---|---|---|---|
| *United States v. Richard Zieske*, CR17-137 JLR (trial) | Unregistered investment adviser who misappropriated two investors' funds | CHC II - Prior federal investment fraud conviction | 63-78 months | $127,915 | 96 months |
| *United States v. Chris Yoo*, CR17-075 TSZ (plea) | Registered investment advisor who misappropriated funds after SEC injunction. Yoo self-reported his crime | None | 97-121 months | $3.66 million | 108 months |
| *United States v. Lobsang Dargey*, CR17-001 RSL (plea) | Real estate developer who misused EB-5 investment funds from foreign investors for his personal real estate projects | None | 135-168 months | $24 million | 48 months |
| *United States v. Satyen Chatterjee*, CR15-179 TSZ (plea) | Investment advisor who misappropriated funds and made Ponzi payments | None | 41-51 months | $540,000 | 40 months |
| *United States v. Stephen Gordon*, CR15-116 RSM (plea) | Orchestrator of Ponzi-scheme involving misrepresentations concerning relationships with pro athletes and Microsoft CEO | None | 63-78 months | More than $4 million | 50 months |
| *United States v. Jeffrey Knutsen*, CR14-253 JLR (plea) | Barred investment broker who misappropriated client funds | None | 51-63 months | $250,000 | 51 months |
| *United States v. Edward Kahler*, CR14-048 RSL (plea) | Investment adviser who misled clients about value of accounts | None | 63-78 months | $1.1 million | 60 months |

| Case Name and Number/Trial or Plea | Nature of Investment Fraud | Criminal History | Guidelines Range | Loss Amount | Sentence Imposed |
|---|---|---|---|---|---|
| *United States v. Kasey Anderson*, CR13-5472 RBL (plea) | Musician and record producer who lured more than 30 investors into non-existent music projects | None | 41-51 months | $590,000 | 46 months |
| *United States v. Aaron Beaird*, CR12-247 RSM (plea) | Financial adviser who falsely represented that he would invest his clients' money into conservative investments, but misappropriated funds for his personal use | None | 63-78 months | $5.7 million | 84 months |
| *United States v. Charles Chesterfield*, CR12-145 TSZ (plea) | Hard-money lender who solicited investments in shares or real estate mortgages and misappropriated funds | None | 63-78 months | $2.5 million | 40 months |
| *United States v. Mark Spangler*, CR12-133 RSM (trial) | Investment adviser who promised safe investments but diverted investor money to two risky start-up companies he controlled | None | 188-235 months | $19.8 million | 192 months |
| *United States v. Anthony Morris*, CR12-003 RAJ (plea) | Pastor who ran Ponzi-scheme and misled lenders | None | 57-71 months | $1.8 million | 40 months |
| *United States v. Richard Finger*, CR11-382 RSM (plea) | Investment broker who misled clients about value of accounts and misappropriated funds | None | 78-97 months | More than $7 million | 54 months |

| Case Name and Number/Trial or Plea | Nature of Investment Fraud | Criminal History | Guidelines Range | Loss Amount | Sentence Imposed |
|---|---|---|---|---|---|
| *United States v. Todd Hoss*, CR11-330 RSM (trial) | Hard-money lender who diverted loan proceeds | None | 87-108 months | $3.6 million | 96 months |
| *United States v. Michael Montgomery*, CR11-5156 RJB (plea) | Investment broker who misappropriated funds from an elderly client | None | 78-97 months | $890,000 for investment loss; $105,000 for tax loss | 60 months |
| *United States v. Jose Nino de Guzman*, CR11-245 RSL (plea) | Owner of real estate development company who lied about projects and misappropriated millions of dollars to fund extravagant lifestyle | None | 151-188 months | $18.3 million | 120 months |
| *United States v. Frederick Berg*, CR10-310 RAJ (plea) | Operator of mortgage-backed securities fraud scheme that impacted hundreds of investors | CHC I – Berg had a prior federal bank fraud conviction in Oregon that was more than to 10 years old | 420 months[1] | Approximately $140 million | 216 months |
| *United States v. Rhonda Breard*, CR10-081 MJP (plea) | Investment broker who stole more than $11 million as part of a Ponzi-scheme | None | 97-121 months | $11 million | 80 months |

[1] Berg's Guideline calculation called for a life sentence. We have used the statutory maximum for purposes of this chart.

# Exhibit J
# Filed Under Seal

HONORABLE THOMAS S. ZILLY

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br>v.<br><br>SUNG HONG aka LAURENCE HONG aka LAWRENCE HONG and HYUN JOO HONG aka GRACE HONG,<br><br>Defendants. | **Case No. CR-17-163TSZ**<br><br>**DEFENDANT SUNG HONG'S SENTENCING MEMORANDUM**<br><br>**Sentencing: October 11, 2018 at 9:30 a.m.** |

## I. INTRODUCTION

Defendant Sung ("Lawrence") Hong pled guilty under a plea agreement to three counts. Count 1 is conspiracy to commit wire fraud in violation of Title 18 U.S.C. § 1349. Count 2 is conspiracy to launder monetary instruments in violation of Title 18 U.S.C. § 1956. Count 3 is false statement in violation of Title 18 U.S.C. § 1001. The government is represented by Assistant U.S. Attorneys Justin Arnold and Steve Masada. The defendant is represented by C. James Frush. The presentence report was prepared by Steve McNickle and finalized by Kalen Thomas.



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The defendant's wife, Hyun Joo ("Grace") Hong, is a co-defendant. Pursuant to her plea agreement, she pled guilty to conspiracy to commit wire fraud and wire fraud. Her sentencing is set for the same time and place. It is counsel's understanding that common issues of fact and law and any evidentiary aspect of the sentencing will be joint but that the particular sentencing of each defendant after the determination of the applicable facts and law will be separate, but both on the same date.

The government recommends a sentence of 24 years and 4 months (292 months). Probation recommends a sentence of 12 years (144 months). The defense recommends a sentence between 8 and 10 years (96 to 120 months) as "sufficient, but not greater than necessary, to satisfy the purposes of sentencing." 18 U.S.C. § 3553(a).

## II. THE DEFENDANT

The defendant is a 47 year old Korean American male, with a prior conviction in this district for mail fraud in 2007 for which he received a sentence of 33 months from the Honorable James L. Robart.

The defendant's childhood, upbringing, and motivations are somewhat of an enigma. Perhaps the key to understanding these matters is intergration of his mother's letter in support into the "facts" as presented in the presentence report ("PSR") and elsewhere.

The PSR is contradictory as to whether Lawrence was exposed to mental and physical abuse. Paragraph 46 notes that Lawrence's father was a "traditional Korean father" in his discipline and inability to show affection. The PSR notes that the father never talked about his feelings, never told the defendant that he loved him, and was a strict disciplinarian. The PSR notes that Lawrence recalls being hit as punishment but states that Lawrence did not characterize



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that behavior as abuse. That contradiction is difficult to resolve. The PSR also notes that the defendant denied ever being exposed to any mental, physical, or sexual abuse.

The letter submitted by Lawrence's mother, Hyo Soon Hong, presents a more detailed and less contradictory portrait. For the Court's convenience, that letter is attached to this memorandum. Mrs. Hong admits that Lawrence was raised the way she was raised and was abused daily. She notes that she would beat him with a poker she used to tend the coal stove, told him terrible things, and told him "he was worthless and a dog." She also notes that her husband physically abused both of them daily, punching and kicking them, consistent with the PSR indicating that Lawrence said he saw his father physically abuse his mother at times.

Mrs. Hong's letter indicates that this physical and mental abuse continued throughout Lawrence's upbringing and through high school. Mrs. Hong has also made statements in her letter and to counsel which, somewhat contradictory to statements in the PSR, indicate that the "marriage" with her husband was not a close one and that the husband may have resented the fact that Lawrence was not their biological child. In her letter, Mrs. Hong has also indicated that the marriage was more in form and not one of substance. Mrs. Hong also reveals for the first time to her son that he was a foundling and was left on her doorstep.

The PSR, paragraph 47, states that after immigration to the United States in about 1980 his "father worked and his mother stayed home with him." The understanding given to counsel by Mrs. Hong is that the father was significantly absent from the family and she supported Lawrence and herself in a grocery business. Apparently, the mother's businesses which sustained Lawrence and her were not participated in by the father. Mrs. Hong's letter indicates that she bought a small grocery market with borrowed money. As a consequence, as Mrs. Hong notes,



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> "Lawrence was not able to play with any other children because he worked whenever he was not at school. He would tag items, keep inventory, and work at the front desk, because he spoke more English than me."

As noted in the PSR and confirmed by Mrs. Hong, Lawrence's father will have nothing to do with him or Lawrence's family (wife Grace and three children) because of the earlier fraud conviction. Counsel has also noted the lack of evidence of any interaction between Lawrence and his father prior to that time.

The PSR and Mrs. Hong's letter indicate that the grocery store was sold in about 1987 and she began making her living in the motel business. PSR ¶ 45, Mrs. Hong's letter. At this point, Lawrence was about 15 years old. As Mrs. Hong relates:

> "Eventually, I sold the grocery store and bought a motel. Even in high school and middle school, Lawrence worked till 4 in the morning working the front desk of the motel. Most of my clients were drug-addicts and hookers, and when they had no food, Lawrence would make them rice and kimchi."

As noted in the PSR, paragraph 62, the defendant from 1987 through 1999 helped his mother run the motel and worked in "every aspect of this business," not being paid a salary. In approximately 2000, Mrs. Hong sold the motel and retired. PSR ¶ 45. Lawrence started an investment company called H&H Group Inc. PSR ¶ 61. While his mother was ostensibly connected to the business, she did not participate in it. As the PSR notes, Lawrence traded stocks and commodities, but after the stock market crashed following the 9/11 attacks in 2001, he made very little money. Lawrence had always been fascinated by the stock market but left Seattle University while studying finance after a couple of years. H&H investments, ostensibly standing for Hong and Hong, his mother and himself, was a failure.

Throughout his life, Lawrence has been pressured to succeed financially and escape the poverty his parents endured. As Mrs. Hong states:



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> "I raised Lawrence to do whatever it took to make money and pressured him to succeed. I had grown up in war time, so I always told Lawrence how much I had been through to get him to America. I think Lawrence remembers this and remembers how poor we were and how we barely survived. I nagged him constantly to make more money and to provide for me. When he started making money, I finally told him I was proud of him and loved him."

Reading the PSR in light of Mrs. Hong's letter, a strong case is made that Lawrence suffered significant physical and psychological abuse throughout his entire childhood, which probably, on the psychological side, continued into his young adulthood.

Certainly, Lawrence's choices to repeatedly engage in fraudulent behavior relating to the investment of others in the stock market were conscious, voluntary, and deliberate acts. However, when viewed against and in light of his upbringing and his "home" experiences, the origins of this criminal behavior are not so difficult to discern, that is significant physical, mental, and emotional abuse inflicted upon him by not only his parents' colored world view of constant toil and exposure to poverty, but also by the customers of the grocery and the clients at the motel. As 18 U.S.C. § 3553(a)(1) instructs the Court, the "characteristics of the defendant" are a factor to be weighed in determining an appropriate sentence.

PSR paragraph 49 mentions issues the defendant experiences with gambling in casinos which were reflected in the last PSR. The reality is that anyone looking at what Lawrence has done in the last seven years clearly indicates that whether in a casino or in the stock market, particularly trading futures, Lawrence continues to have a gambling problem. Unfortunately, he is not a good gambler, but has lost his money for both himself and others.

Lawrence and his wife Grace have three children, ages 2, 4 and 6. The two older children have been able to visit Lawrence, usually twice a month in the company of his mother. His wife Grace is not permitted to visit Lawrence because she has electronic monitoring. Grace and the children are currently living with Lawrence's mother. If Grace is imprisoned, Lawrence's



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mother is incapable of raising them and they must be sent to Korea. At this time, efforts to place the children in Korea, even separately, have been unsuccessful.

Lawrence was arrested on or about June 1, 2017 and has been detained at FDC SeaTac since that time. When arrested, he confessed.

## III. THE OFFENSE CONDUCT

While the defense agrees that there is a $12 million loss, it ought to be noted that these monies were not all obtained in the same way. The bulk of the loss, from Dr. A. (c.$4,000,000) and A.C.1 (c.$3,000,000), in an amount equaling approximately $7,000,000, were obtained from them with their knowledge of Lawrence's criminal background, and his inability to obtain a securities license, and were made partly as investors in the Pishon businesses rather than providing the funds to Lawrence for management and investment. Both of these investments were also converted to loans, not due until dates after Lawrence's arrest.

A second group of victims are those who were obtained as a result of the appearance of the Hong's at the Lancaster, California prophetic conference in August, 2016. These are the individuals who provided monies that were placed in "Separately Managed Accounts" or SMAs, and total approximately $3,000,000. It is important to note that the Hongs did not have access to these funds. The Hongs only exercised control for investment. The contract between the Hongs and the investors provided that the Hongs would only be compensated based on a positive performance, not, as is usual, paid a percentage of assets under investment. While many, if not most, of these individuals sustained losses in the end, it was a function of Lawrence's poor trading abilities rather than any conversion or theft. We do not dispute the fact that the monies would not have been entrusted to the Hong's management without the false statements that were made at the conference (during which there were no actual solicitations).



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A third group of victims are those people recruited by A.C.2, or the Primoris investors. These people were all from Korea and Lawrence had little if any contact directly with any of them. These victims accounted for approximately $750,000 of the loss amount.

Lastly, there are direct investors, some of whom started out with SMAs, such as P.N., or just simply provided money directly to Lawrence to manage, such as M.S. This group accounts for approximately $2,000,000.

These four different groups of victims reveal different levels of culpability. In our opinion, Lawrence is most culpable for the direct investors, less culpable for the Primoris group who he did not solicit directly and who were brought to him by A.C.2, much less culpable for Dr. A. and A.C.1, sophisticated investors who turned their investments into loans, and least culpable for the SMAs (where no funds were ever converted, only lost by trading), generally without significant losses for each individual. As noted in the Declaration of Frank Miller filed herewith ("Miller Declaration"), immediately before the 2016 presidential election, as of October 31, 2016, the SMA accounts all had significant profits. It is also worth noting that of the 39 investors, 5 lost nothing and actually profited. Id.

It is true that the Hongs used misappropriated funds to pay personal expenses and to maintain a successful lifestyle. However, at times Lawrence actually made significant amounts of money for both the investors and himself, some of which helped support the personal expenses a successful lifestyle the government emphasizes. Miller Declaration. Furthermore, the Hongs providing investors with materially false information about the performance of their investments is simply not true as to all of the investors. The SMAs were available for daily review by the owners of the accounts and, as noted above, the Hongs were only compensated if the investments made money. Furthermore, we are unaware of any widespread false



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documentation reflecting fictitious returns or otherwise as we so commonly see in these cases. The real fraud was not so much in the management of the funds for the most part (with some exceptions, including that of P.N.), but more a function of the false statements relating to Lawrence and Grace's backgrounds and experiences, particularly that Lawrence supposedly managed large sums of money for Korean families in Korea. These false representations, as noted in the plea agreement, caused people to provide access to their funds to the Hongs. Again, as noted, the Hongs had no ability to take any funds out of the SMAs.

This was not a monolithic fraud that we usually see in these cases. This was not a "Ponzi scheme" where new investments are used to pay returns on earlier investments. This was primarily a situation where funds were obtained through false representations. Some of those funds were diverted for the Hongs personal use and to maintain their lifestyle, that is true. However, some of the funds were obtained as investments in the Pishon entities such as from Dr. A. and A.C.1, both of which turned their investments into promissory notes at a later date. Ultimately, if Lawrence had not bet wrong on the results of the 2016 presidential election and taken a position in the market with the SMAs that resulted in significant losses in those accounts, the SMA investors would not have complained. At times, Lawrence made significant monies for some of the investors, including Pastor S. whose church entrusted funds to him. Miller Declaration. Ultimately, the church may have lost money but at certain times it was far ahead. Id. More than a few actually ended with a profit in their SMA. Id. We are not attempting to minimize the behavior as there were certain investors whose funds were clearly misappropriated and used for personal expenses, some of it for travel, such as P.N.'s monies. However, again, this was not a monolithic fraud or a Ponzi scheme. It was a situation where false statements and representations (sometimes by others such as A.C.2, not Lawrence) were made to induce the



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differently situated and differently sophisticated investors to allow Lawrence to manage investment of their funds (or, in some instances, convert them to his own use) and those investments were ultimately poor ones.

As noted, frequently Lawrence was a successful investor. Miller Declaration. This success provided him a false sense of investing acumen and probably ultimately worked against him. Again, this is more a case about Lawrence's poor investing skills coupled with his false representations to obtain funds than any kind of Ponzi scheme or conversion and diversion of funds. Yes, conversion and diversion did occur, but not on the scale of $12 million.

Lastly, some of the property being forfeited was not the result of the fraudulent scheme but had been acquired either independent of it or prior to it. Furthermore, at various times Lawrence made money, both trading for his own account and by receiving a percentage of the profits pursuant to contracts with the SMA individuals. Miller Declaration. Some of these items were purchased with those funds.

The only religious "group" that the Hongs appeared before was a "Prophetic conference" in Lancaster, California in August, 2016. This was not a neighborhood church or mainstream group, or an organized group at all. These prophetic ministers are a fringe evangelical movement, led by such as Pastor S., who believe that God speaks through them and that they have the gift of prophecy. This is hardly a normal or legitimate church congregation. These were not people who knew Lawrence or Grace, they did not attend church with them, and they were simply introduced by Pastor S. to the Hongs at this conference where it was primarily Pastor S. who talked about the Hongs' prowess in investing money. He repeatedly pointed out to the attendees that Lawrence had made money for his "church." At that time, that was true. Again, the false representations related to obtaining the investments. In addition, all of these



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investments from the prophetic conference were in the SMAs where the Hongs could not misappropriate the investments, but rather, Lawrence could simply lose them by poor investment decisions.

In addition, it is important to note that the church investment funds from Pastor S.'s "church" and the SMAs created for those who attended the prophetic conference made money up until the 2016 elections when Lawrence guessed wrong as to who would win. Miller Declaration. As we all know, Lawrence is not the only person who called the outcome of the 2016 election in error.

In addition, while the Hongs, both religious people, tended to obtain investments from those with similar religious beliefs, the Hongs did not target or pretend to represent religious organizations. While the Hongs no doubt worked with investors who shared religious beliefs, there was no representation of any religious organizations. The prophetic conference in Lancaster, California cannot be called a "religious organization" but was more like a rally or show. In addition, the Hongs were very active in supporting religious outreach and did in fact donate significant sums for those purposes and visited Haiti for relief work. Grace's tax returns reflect significant charitable contributions made by the Hongs. Miller Declaration. Lastly, the Pishon Foundation was not part of the scheme. While there was a Pishon Foundation created, it was not active. In fact, the monies that were given by the Hongs to religious outreach activities were not funneled through the Pishon Foundation.

PSR paragraph 43 reflects a discussion of the Pishon entities. Pishon Holding LLC was the heart of the fraud. There were other companies that used the Pishon name but none of these were active in the fraud. The Foundation was inactive. Pishon & Company LLC was Lawrence's personal trading account and not used in the fraud. The First Pishon LLC was



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inactive and the Pishon Holding LLC replaced it when the Hongs were told by people that it was confusing. Pishon Capital Management LLC was the business in which the monies were invested by A.C.1 and Dr. A. and subsequently turned into loans by those men.

The Hongs' lifestyle also needs to be put in context. After Lawrence and Grace left Lawrence's mothers house where they resided when they were initially married, they rented a house in the Cougar Mountain area for approximately $6,000 a month. There was also an additional rental in the Bellevue area at well less than $12,000 before they rented the Clyde Hill house.

As for the automobiles, Lawrence has always had a strong interest in cars. However, two of the cars that were purchased were used cars and one of them was leased. Furthermore, they were not all possessed at the same time. The Lamborghini was acquired in 2013, and as we understand it, was traded in for the Maserati in 2015. The Aston Martin had been purchased in May, 2017, days before the arrests. It should be appreciated by this point the Hongs had promissory notes to Dr. A. and A.C.1 for millions of dollars, and as far as the relationship between those parties was concerned, there was no reason the Hongs could not do with the money provided as loans as they wished. Payments due Dr. A. were not to begin until June 2017, at a time after the Hongs had been arrested. Lastly, the "yacht" was a 40-foot boat that was purchased by Dr. A. for the Hongs' use and on which Dr. A. has stated that he did not lose any money. It had been sold by the time the Hongs were arrested.

Generally, based on false representations, people entrusted the Hongs to manage their SMAs. It is true that some victims, such as P.N., did withdraw the money from the SMA and give it directly to the Hongs, but this was very atypical for the SMA accounts.



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## IV. CRIMINAL HISTORY CALCULATION

Lawrence only has one previous conviction, that is, for the wire fraud for which he received 33 months in jail from Judge Robart, but a quite high Criminal History Category of III. There are 3 points for the fraud conviction under USSG § 4A1.1(a) for a sentence of imprisonment exceeding one year and one month. Under USSG § 4A1.1(d), 2 points are added because Lawrence committed a part of the instant offense while on supervised release from the earlier fraud conviction. A Criminal History score of 5 establishes a Criminal History Category of III, which adds a significant number of months to the guideline range. The ultimate result is to treat Lawrence in the same fashion as a three-time loser or someone with multiple prior convictions.

## V. GUIDELINE CALCULATION

As noted below, Lawrence and the government agree on all guideline calculations except for the 4 level enhancement under USSG § 2B1.1(b)(19)(A)(B) if the defendant is an "investment advisor" and/or a "commodities trading advisor," and the 2 level enhancement under § 2B1.1(b)(9)(A) and (C) if the defendant misrepresented that he was acting on behalf of a charitable or religious organization.

We currently agree with the 4 levels added for substantial hardship to five plus investors under § 2B1.1(b)(2)(B). We believe the number of people qualifying for this treatment are not more than five and include (1) P.N., (2) M.S., (3) A.S., (4) C.E., and (5) K.Y., and no others. In addition, as discussed more fully below, if Lawrence had not pled guilty to the continuing crime of conspiracy, this 2016 adjustment to the guidelines would not apply under ex post factos clause of our Constitution.



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**A. Adjustment under § 2B1.1(b)(19)**

While trading S&P futures might theoretically be trading in commodities, the adjustment under § 2B1.1(b)(19) should not apply. That adjustment says that not only must there be a violation of commodities law, at the time of the offense, the defendant must be either (a) an officer or a director of a futures commission merchant or an introducing broker, (b) a commodities trading advisor or (3) a commodity pool operator. Lawrence was none of these. See also, part (A) of the adjustment where it refers to violations of the securities law where the defendant needs to be licensed or a director or officer of a publicly traded company. Lawrence was never licensed. This adjustment is not intended to reach an unlicensed person who happened to pick a future to trade instead of an equity or mutual fund. Anyone can go on Charles Schwab tomorrow and trade futures, including S&P futures. That activity doesn't make one subject to this adjustment.

*Stinson v. United States*, 508 U.S. 36 (1993) concerns the "binding" effect or lack of same for commentary in the sentencings guidelines, and it appears still to be good law. If the guideline and the commentary are inconsistent, the guideline controls. Id.; see also USSG § 1.B1.7. In USSG § 2.B1.1(b)(19)(B), the application notes incorporation of the Commodity Exchange Act's definitions is inconsistent with the guideline as use of the definition in the Act renders the use of the word "and" in the guideline superfluous. It is the clear intent of the guideline to enhance the punishment for someone who violates a commodities law and who has some type of license.

This adjustment is a 2016 guideline amendment. The language from Amendment 653 in Appendix C of Volume II at page 838 states:



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> "The amendment expands the scope of this enhancement to cover registered brokers and dealers, associated persons of a broker or dealer, investment advisers, and associated persons of an investment adviser. The amendment also expands the scope of the enhancement to apply if the offense involves a violation of commodities law and, at the time of the offense, the defendant was an officer or director of a futures commission merchant or introducing broker, a commodities trading advisor, or a commodity pool operator. The Commission concluded that a four level enhancement appropriately reflects the culpability of offenders who occupy such positions and who are subject to heightened fiduciary duties imposed by securities law or commodities law similar to duties imposed on officers and directors of publicly traded corporations."

This language from "the horse's mouth" should put this dispute to rest.

**B. Adjustment under § 2B1.1(b)(9)**

Section 2B1.1(b)(9) provides a 2 level increase if the offense involved (a) "a misrepresentation that the defendant was acting on behalf of a charitable, educational, religious, or political organization, or a government agency." The key words here are that "the defendant was acting on behalf of . . . an organization."

Application Note 8(B) discusses "misrepresentations regarding charitable and other institutions." Again here, the operative word is "institutions." The three examples cited in 8(B) involve solicitation for a non-existent famine release organization, fundraising for a religiously affiliated school, and the chief of a local fire department soliciting money for a new fire engine for the department when he intended to divert the funds.

Lawrence never made "a misrepresentation that he was acting on behalf of a charitable or religious organization," under § 2B1.1(b)(9). The language "acting on behalf of an organization" is critical. Fraudsters may prey on their fellow church members or those with similar belief structures, but the misrepresentation under the enhancement must be that the person is acting on behalf of an organization. While Lawrence took money from a prophetic church, he didn't take money from others that he represented would be going to that church. The investors were in it



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for themselves, which might have put them in a better position to embrace the glory of God, but that's not enough.

An important prong of this analysis is that the funds solicited from the investors are benefiting a particular institution, organization or entity. There is no evidence whatsoever that Lawrence represented that he represented a particular charity, institution, or entity. It was always part of Lawrence's solicitation that any funds invested were invested for the benefit of the investor, not for an organization or institution. While Lawrence held strong religious beliefs, and associated with and victimized those with similar strong religious beliefs, the solicitations were not on behalf of an organization or institution. The solicitations were for investments that would only benefit the investor with Lawrence being compensated with a percentage of any profit made.

It is anticipated the government will cite *U.S. v. Treadwell*, 553 Fed. 3d 990 (9th Cir. 2010) for the proposition that this adjustment should apply. However, a full reading of *Treadwell* confirms that this adjustment does not apply. The facts in *Treadwell* are easily distinguishable as misrepresentations were made that a portion of the proceeds would be used for humanitarian purposes with an inference that a charitable organization was involved. *Supra*, 1005-1008. *Treadwell* appropriately points out the rules of statutory construction: "if the text of a guideline is unambiguous, its plain meaning controls." *Supra* at 1006. The cases cited from other circuits within *Treadwell* all deal with institutions or organizations, including (1) a church, (2) an Indian tribes' education department, (3) the American Cancer Society, (4) United Way, (5) a "New Concept in Philanthropy Program," and (6) a non-profit corporation. *Supra* at 1007. The *Treadwell* defendants specifically stated that "some of the programs that we are involved in, a certain percentage of the returns that we do . . . gain from those projects, do have to be returned



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into humanitarian needs . . .” and went on to talk about seeing the benefits, “to see people that are hungry,” and more. *Supra* at 1005. The *Treadwell* court concluded that “these statements were intended to lead victims to infer involvement of a ‘charitable organization,’” *supra* at 1008. In sum, the unambiguous language of the adjustment, the application note, and the particular facts of *Treadwell* do not support this adjustment for Lawrence.

In summary, defendant’s guideline calculation is:

| | |
|---|---|
| Base offense level: | 7 |
| Loss amount: | 20 |
| Money laundering count: | 2 |
| Substantial hardship to five victims: | 4 |
| Sophisticated means: | 2 |
| Sub-Total: | 35 |
| Acceptance of responsibility: | (3) |
| **TOTAL:** | **32** |

A guideline calculation of 32 with Criminal History III results in a range of 151 to 188 months.

## VI. APPLICATION OF FACTORS UNDER 18 U.S.C. § 3553

18 U.S.C. § 3553 directs this Court to consider certain factors in imposing a sentence. Subsection (a)(1) indicates that the “nature and circumstances of the offense” are one factor. As noted above, this was not a monolithic fraud, it was not a Ponzi scheme, and over half the loss amount came from two sophisticated business people who began as business partners more than investors with the Hongs and ultimately turned their “investment” into a promissory note. While there were direct diversion of a few investors’ funds to support an expensive residence and one upscale vacation, most of the losses suffered by the vast bulk of investors were due to the poor



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trading skills of Lawrence, not diversion. The Hongs in good faith believed that their efforts would ultimately establish a legitimate hedge fund that would produce a good return. Lawrence did at times produce a good return for investors, and this fact differentiates this fraud from the type in which there is absolutely no efforts directed towards attempting to legitimatize a business or make any return to investors. The government attempts to portray this as "the crime of the century" and, without understating the harm caused to particular investors, in size and scope this was rather a middling if not lower level fraud in proportion to others in this district and elsewhere. There are victims who have substantial hardship because they believed the false statements made by Lawrence and trusted him, but, as compared to many cases, they are relatively few in number, and did not involve shareholders or a corporation's suppliers as victims.

Subsection (a)(1) of § 3553 also points out that the "characteristics of the defendant" are another factor to be considered. An earlier portion of this memorandum described in detail the physical and psychological abuse that Lawrence experienced throughout his upbringing and into young adulthood. In addition, Lawrence turned 47 years old this September and is the loving father of three children under the age of 6. A sentence of 8 to 10 years will give him the last clear chance to return to his family in his mid to late 50s, to be a father, perhaps a husband, and establish a legitimate approach to life and production of an income that will allow him to support his family, himself, and pay restitution, another factor to be considered under § 3553(a)(7).

An 8 to 10 year sentence certainly reflects the seriousness of the offense, promotes respect for the law, and provides for just punishment, serving as an adequate deterrent both to the public and to this particular defendant.



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Lastly, and most importantly, is § 3553(a)(6) which directs this Court to consider "the need to avoid unwarranted sentence disparities among defendants with similar records who have been found guilty of similar conduct."

As Probation notes, downward variance may be appropriate to avoid sentencing disparity when compared to other defendants sentenced for similar crimes. In this district, Darren Berg was sentenced to 18 years in prison for defrauding hundreds of investors (approximately 500?) of more than $100 million for an investment Ponzi scheme he ran for nearly a decade. Judge Jones noted in that sentencing that previously, in a $90 million Ponzi scheme, considered Washington State's largest fraud until then, the defendant received a 20 year sentence.

Parallels to Berg are compelling in Lawrence's case. Both had a prior federal conviction for fraud with Berg's from the District of Oregon while Lawrence was convicted in this District. It should be noted that Lawrence confessed when he was arrested and has not obstructed these proceedings in any fashion. Berg secreted funds during the process and was not truly forthcoming.

The Probation Department has discussed Berg and other similar situated defendants. The bulk of the $12 million claimed as the loss amount here came from two individuals, both of whom were aware of the criminal history of Lawrence and were basically investment partners with Lawrence who eventually turned their investments into loans. If you subtract those two victims out, both of whom were sophisticated and both of whom did not have their lifestyles materially altered by involvement with Lawrence, you are left with less than three dozen victims (counting couples as one victim) who lost approximately $5 million, primarily through poor choices made by Lawrence's investment strategy, probably accounting for about $3 million.



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## VII. GOVERNMENT MANIPULATION AND OVER CALCULATION OF GUIDELINE SCORES

In addition to the disparity issues, there are also significant issues regarding the over counting and over calculation of guideline points in white collar cases. At one point, Lawrence attempted to plead "straight up" to the original indictment in this matter without any plea agreement. While attempting to do so, the government superseded its indictment in a fashion which significantly affected the guideline calculation.

First, the superseding indictment added a money laundering count which added 2 points to the guideline calculation. It is impossible to think of a fraud case which would not present a factual predicate for including a money laundering count. That count was not included in the original indictment. By inserting it into the superseding indictment and forcing the defendant to plead guilty to it, an additional 2 points have been added to the guideline score.

Second, there was no conspiracy count in the original indictment. The government insisted on a plea to a conspiracy count which it included in the superseding indictment. If it were not the continuing nature of this crime, the ex post facto clause would prevent the additional 4 points added to the guideline calculations for five victims who suffered a substantial hardship. Some of the five victims which have been used to support that calculation lost their money before the adoption of the 2016 guideline amendments which added this adjustment.

If Lawrence had pled straight up to the original indictment, he would have received a guideline calculation as follows: base offense level: 7, loss amount: 20, sophisticated means: 2, with a sub-total of 29. With minus 3 for acceptance, the total would be 26 which, even with Criminal History Category III, which has a range of 78 to 97 months.

In addition to these charging decisions consciously undertaken by the government is the reality that investment fraud cases "pile on" to an extent disproportionate to the crimes involved.



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*U.S. v. Paris*, 573 F. Supp. 2d 744 (S.D.N.Y. 2008) is one of the many cases which discuss this phenomena and also contains an excellent discussion of the efforts the court and the government (unlike in this case) undertook to deal issues of disparity.

*U.S. v. Paris* involved a sentencing before Senior District Judge Block in a securities fraud case. The defendants, the Paris brothers, were engaged in a rather typical "pump and dump" scheme in the world of penny stock investment. The defendants were sentenced to a term of incarceration of 60 months in face of an advisory guideline of 360 months to life. As the court noted "this case represents another example where the guidelines in a securities-fraud prosecution have run so amok that they are patently absurd on their face, … due to the 'kind of piling on' of points for which the guidelines have frequently been criticized," citing *U.S. v. Addelson*, 441 F. Supp. 2d 506, 515 (S.D.N.Y. 2006). *Id.* at 745. The court noted that the guideline range failed to properly reflect the § 3553(a) considerations. *Id.* 745-6. The court also noted that the case before it was "simply not of the same character and magnitude as the securities-fraud prosecutions of those who have been responsible for wrecking unimaginable losses on major corporations and, in particular, on their company's employees and stockholders, many of whom lost their pensions and were financially ruined." *Id.* at 746. The court considered the amount of the loss, the number of victims, sophisticated means, officers and directors' status, role in the offense, and obstruction of justice. The court complimented the government for not seeking a guideline sentence, noting that the higher duty of government lawyers is "to seek justice, and not merely to convict." *Id.* at 751. The court specifically noted that "the 'primary purpose' of § 3553(a)(6) – calling for 'the need to avoid unwarranted sentence disparities among defendants with similar records who have been found guilty of similar crimes' was 'to reduce unwarranted sentence disparities nationwide.'" Citation omitted, *Id.* at 751. The court examined



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numerous cases including that of Enron, Worldcom, and other corporate scandals. *Id.* at 754. The court also noted that the sentencing guidelines over the past several years reflected a significant increase in the guideline range for white collar crime. *Id.* The court noted that the Second Circuit Court had recognized that under the guidelines, it may well be that all but the most trivial frauds in publicly traded companies may trigger sentences amounting to life in prison. Citation omitted, *Id.* 754. The court stated: "While I acknowledge that the 'Guidelines' reflect Congresses judgment as to the appropriate national policy for such crimes … this does not mean that the sentencing guidelines for white collar crimes should be a black stain on common sense." *Id.* The court also cited Judge Rakoff in *Addelson,* noting that Judge Rakoff appropriately described in this situation "the utter travesty of justice that sometimes results from the guidelines' fetish with absolute arithmetic, as well as the harm that guideline calculations can visit on human beings if not cabined by common sense." *Id.* at 751 citing *Addelson* at 512. The court concluded that ultimately it imposed sentences that were "sufficient, but not greater than necessary, to satisfy the purposes of sentencing." *Id.* at 755 citing § 3553(a)(2).

## VIII. CONCLUSION

This is a fraud case with significant variations among victims and, for most victims, only involved investment losses, not the direct diversion of funds for the defendants' use and benefit. Some victims were horribly treated, there is no question. However, for some individuals Lawrence actually made money and at times, made money for himself. Instances of direct misappropriation were present but not consistent or prevalent. As noted, the SMAs did not allow Lawrence to take monies from the investors' accounts. When the two largest investors (both sophisticated and knowledgeable about Lawrence's criminal record) are eliminated, the loss amount drops to less than half. Finally, the issues of sentence disparities and the over calculation



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of guideline adjustments are significant. A sentence between 8 and 10 years is appropriate to satisfy the factors contained in 18 U.S.C. § 3553 and should be imposed by this Court.

Respectfully submitted this 28th day of September, 2018.

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***Attorneys for Defendant Sung Hong***

**CERTIFICATE OF SERVICE**

The undersigned certifies that on September 28, 2018, I electronically filed the foregoing with the Clerk of the Court by the CM/ECF System which will send notification of such filing to those registered to receive electronic notices by email transmission at the email addresses provided.

*s/ Sharon Damon*
Sharon Damon, Legal Assistant
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Dear Judge Thomas Zilly,

I was born in 1940 in Seoul, Korea, and lived through Japanese Annexation and the Korean War. I lived through unimaginable poverty. My family was homeless, and to make money I would work for rice and salt farmer to hand sew their harvesting bags.

Korea was not always as wealthy as it is today, and in the 70s, Korea was very poor. One morning I woke up and found a three-day old baby left on my doorstep. I had always wanted a baby and could never have one. I decided to take him as my own. I boiled rice and water and fed it to him and took care of him even though I was so poor. I never told Lawrence this, and to this day he believes I am his biological mother.

Though I love him, I raised him the way I was raised, and abused him daily. I beat him with the poker I would use to tend the coal stove. I told him terrible things and said he was worthless and a dog. My husband also physically abused both of us daily, punching and kicking us.

When Lawrence was 8, in 1979, I accepted an invitation to come to America. Our first days were very difficult, but a few months after I arrived, I was lent some money and I bought a small grocery market. Lawrence was not able to play with any other children, because he worked whenever he was not at school. He would tag items, keep inventory, and work at the front desk, because he spoke more English than me.

Eventually, I sold the grocery store and bought a motel. Even in high school and middle school, Lawrence worked till 4 in the morning working the front desk of the motel. Most of my clients were drug-addicts and hookers, and when they had no food, Lawrence would make them rice and kimchi.

I raised Lawrence to do whatever it took to make money and pressured him to succeed. I had grown up in war time, so I always told Lawrence how much I had been through to get him to America. I think Lawrence remembers this and remembers how poor we were and how we barely survived. I nagged him constantly to make more money and to provide for me. When he started making money, I finally told him I was proud of him and loved him.

I am 78 and I do not know how much longer I will live. Before I die, I want to see my son and my three grandchildren, now 2, 4, and 6, together again. The oldest saw his father get arrested by the FBI, and he has nightmares about it every night. Lawrence and I had terrible childhoods, and I do not want to see another three children grow up in a worse situation. Lawrence loves his children and will do everything he can to be a good father.

I beg you Judge Zilly to keep this in mind when sentencing.

Sincerely,

Hyo Soon Hong

The Honorable Thomas S. Zilly

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>HYUN JOO HONG,<br>aka GRACE HONG,<br><br>Defendant | NO. CR17-163TSZ-002<br><br>**UNITED STATES' SENTENCING MEMORANDUM** |

## I. INTRODUCTION

*"But what caused me to trust them even more was the fact that they presented themselves as Christians, and they had ties to ministers and Christian leaders…"*

--K.G.,
a victim who learned about the Hongs
from a Church conference in August 2016

*"We wanted to create something where churches can be sustainable, so God kept saying it's not about giving finances, but it's about using the talents that I gave you both. So that was the premise, that was the intention behind creating our company. The name of our company is Pishon, which is the first river that flows. It's in Genesis."*

--Grace Hong,
presenting at that Church conference

Shortly after moving to the United States, defendant Hyun Joo, aka "Grace," Hong (hereinafter, "Grace Hong") joined with her future husband, Sung, aka "Lawrence" and "Laurence," Hong (hereinafter "Lawrence Hong") and began lying to potential investors to cheat them out of their hard earned money. Despite her assertions to the contrary, Grace Hong was intimately and actively involved in the fraudulent scheme throughout its seven-year existence, even preying upon her associates back in Korea. During that time, Grace Hong acted as the face, as the President and CEO, of the investment advisory businesses so that the Hongs could shield Lawrence Hong's involvement from the banks and brokerage firms with which they dealt, and ultimately, from law enforcement. Grace Hong actively recruited and personally met with numerous investors, created and distributed prospectuses containing myriad false statements about her background and credentials, signed investment contracts and promissory notes with victims, and, after securing victims' funds, misappropriated millions of dollars to finance a lifestyle of extravagance and luxury. All told, through their fraudulent scheme, the Hongs fraudulently obtained over $20 million dollars from their victims and caused 57 victim investors losses of over $12.7 million. The vast majority of victims were ordinary folks, not wealthy investors, who entrusted their investments, and in many cases their life savings, to the Hongs.

The United States recommends that the Court sentence defendant Grace Hong to a term of imprisonment of 120 months (or 10 years). This sentence is sufficient, but not greater than necessary, to effect the goals of sentencing. It is warranted considering the 18 U.S.C. § 3553(a) sentencing factors, including the seriousness of the offense, the history and characteristics of the defendant, the need to promote respect for the law and provide just punishment for the offense, the need to deter Grace Hong and others from committing similar offenses in the future, and to avoid unwarranted sentencing disparities with other defendants with no criminal record who have engaged in similar conduct. Despite her significant and prominent role in the elaborate scheme that devastated so many, the United States distinguishes Grace Hong from her co-defendant Lawrence Hong

largely due to their disparate criminal histories and in acknowledgment of certain mitigating factors. For instance, considering that Lawrence Hong storied career con-man, the United States acknowledges the likelihood that he played planted the initial seeds of investment fraud scheme. Grace Hong willingly and enthusiastically adopted that criminal mindset, broadly lying and deceiving at will about everything from her own and her husband's credentials, employment, and expertise to matters as petty as cancelling a gym membership. As the facts make clear, Grace Hong was intimately involved in nearly every aspect of the fraud, from drafting the Pishon marketing material, to soliciting investors, to transferring funds, and to unlawfully spending victims' retirement savings on frivolous indulgences for herself.

## II. SUMMARY OF FACTS

As the United States noted in its separately filed Sentencing Memorandum for Lawrence Hong (the "Lawrence Hong Memo"), the Amended Presentence Report ("PSR"), dated September 27, 2018, sets forth the basic facts of the Hongs' fraudulent scheme. In addition, in the Lawrence Hong Memo, the United States provided additional facts concerning the affinity/religious nature of the fraud, its impact on the victims, and information on how the Hongs spent the stolen funds.[1] As the Court is well aware, in her Plea Agreement and during her plea allocution, Grace Hong was only willing to admit to limited involvement in the elaborate criminal enterprise, grossly understating her culpability and criminal misconduct. Plea Agreement, Dkt. 88, page 7 (only admitting participation in the investment fraud scheme between May 2016 and March 2017). Further, she only pleaded guilty to substantive counts within that time period. *Id.*, page 8. At the time, and as set in the Plea Agreement, the United States expressly informed Grace Hong and the Court that the facts Grace Hong admitted in the plea agreement (which she, through counsel, drafted) addressed only a fraction of her offense conduct. *Id.*, page 9.

[1] The United States hereby incorporates the Lawrence Hong Memorandum into this Memorandum as if fully set forth herein.

Thus, in this section, the United States will focus on highlighting Grace Hong's early and frequent involvement in the scheme, her numerous lies, and provide additional information about how she profited handsomely off the scheme.

**1. Grace Hong's Early and Extensive Involvement in the Fraud**

Shortly after Grace and Lawrence Hong were married, they formed the first of the purported investment advisory businesses that would provide the cover for their fraud. Specifically, they formed Pishon & Co, LLC and The First Pishon, LLC on or about May 12, 2011. Dkt. 1, Complaint ¶¶ 15-16. Grace Hong was listed as a the registered agent and governor of Pishon & Co, LLC, and as a member and Chief Executive Officer for The First Pishon, LLC. *Id*. During the search of the Hongs' residence, FBI agents found a letter signed by Grace Hong dated July 20, 2011, about two months after these Pishon entities were created. *See* Exhibit A hereto.

July 20, 2011

Education

1. Juilliard, BA from 1995-1999
2. University of Rochester, Eastman School of Music, MA from 1999-2001
3. Columbia University, MBA from 2006-2008

Prior to coming to the US, I've worked at Deutsche Bank Investment Group in Hong Kong from 2008-2009 and Deutsche Bank Investment Group in Korea from 2009-2010.
Currently I am waiting to start employment at Black Rock Seattle office starting this December after birth of our first child.

Enclosed are additional documents you've requested from my Local WA Bank (Uni Bank) and a copy of my driver's license.

I appreciate your consideration regarding the purchase and sell agreement of the Cobalt 360. Should you have any further questions, please feel free to contact me or Vic.

Thank you.

Regards,
Hyun Joo Lee

In this letter, which appears to be a letter concerning the purchase of a Cobalt 360 yacht, Grace Hong lied about her background by claiming she had an MBA from Columbia University and prior employment at Deutsche Bank.[2] *Id.* Interestingly, the letter makes no mention of Grace Hong's involvement with the Pishon entities. *Id*. Rather, it misrepresents that she was waiting to start employment at Black Rock,[3] a preeminent investment management firm, in December 2011. *Id.* Grace Hong, as she well knew, had no relationship with Black Rock whatsoever, nor did she have an MBA for Columbia University or prior employment at Deutsche Bank. These lies, back to mid-2011, plainly establish Grace Hong's complicity in the fraudulent scheme. The suggestion by Ms. Hong to the contrary as part of this criminal proceeding is nothing more than a continuation of her long-standing deceitful and fraudulent conduct.

Not long after they formed these Pishon companies and Grace Hong lied about her background in an apparent attempt to purchase an expensive boat, the Hongs set out to defraud D.A., who over the course of the fraud, would become one of the Hongs' biggest victim. Beginning shortly before December 2011, Grace Hong, acting as the President of Pishon, helped Lawrence Hong solicit D.A.'s investment. Throughout the next few months and years, Grace Hong regularly communicated with D.A. about his investments with the Hongs and Pishon. She prepared, presented, and signed the investment advisor agreement for D.A.'s investments in the Pishon entities. For example, on December 20, 2011, Grace Hong emailed D.A. and attached the investment contract between Pishon (to be signed by Grace Hong, President of Pishon) and D.A. *See* Exhibit F to United States' Brief regarding Sentencing Guidelines. Grace Hong signed another investment contract with D.A. that is dated February 9, 2012. On May 7, 2012, Grace Hong sent D.A.

[2] These are the same misrepresentations Grace Hong later made in the Pishon prospectus and to the Hongs' numerous victims.

[3] Black Rock is a global investment management corporation and the world's largest asset manager. *See* https://en.wikipedia.org/wiki/BlackRock.

another email with the subject line "Investment Verification Letter," confirming D.A.'s initial investment of $1.25 million in Pishon. Thereafter, in 2013 and 2015, she prepared and sent D.A. fake account statements falsely representing investment gains, when in reality the Hongs had put the bulk of D.A.'s money to their personal use.

**From:** Grace Hong
**To:** [redacted]
**Subject:** Fwd: Dr Ahn"s statement 2015
**Date:** Monday, April 13, 2015 2:47:02 PM
**Attachments:** [redacted]LP Statement 2015.pptx
Untitled attachment 00012.htm

---

Hi Dr A[redacted]

Attached is the statement ending March 31, 2015 that you can submit to your bank.

Please let me know if additional info is needed.

Thank you
Hyun Joo Hong

Sent from my iPhone

A copy of this email and attached fraudulent statement are marked Exhibit H to United States' Brief regarding Sentencing Guidelines.

Grace Hong's involvement in the scheme was not limited to interactions with D.A. During the scheme, she repeatedly met with and recruited investors into the fraud by targeting those who shared the Hongs' purported religious beliefs. For instance, Grace Hong's recruitment of Victims C.S. and A.S. is a good example of the manipulative devices Grace Hong wielded. In her interview with the FBI, A.S. explained how in 2012 or 2013, Grace Hong used A.S.'s children and alleged religious beliefs to lure A.S. and her husband, C.S., into the Hongs' fraudulent scheme:

A A met GRACE HONG (GRACE) at the end of 2012 or the beginning of 2013 at a Gymboree. The S oldest child was months apart in age from the HONGS' oldest child. Initially, only APRIL knew the HONGS. A and her child were invited by GRACE to her son's birthday party, and to play dates at GRACE's house in Medina. A and GRACE had their second child at about the same time. A was invited to GRACE's daughter's 100 day celebration but A could not make it because she had just had her second child. A met LAURENCE HONG (LAURENCE) at the birthday parties. A also met GRACE's parents at these events.

GRACE said she was a hedge fund manager with her husband. A relocated to the United States in 2007. Prior to her relocation, A worked for a government bank in Thailand as a foreign exchange dealer. GRACE said she used to work for Deutsche Bank.

GRACE suggested their husbands should get to know each other because they shared the same faith. GRACE's Christianity drew A close to GRACE, and caused A to trust GRACE. The HONGS attended a different church than the S.

In approximately June 2014,[4] in order to convince C.S. and A.S. to invest, Grace and Lawrence Hong gave C.S. and A.S. an investment prospectus for Pishon & Co and Pishon Capital Management. In the section titled Manager Profiles, Grace Hong is listed as the CEO of Pishon Capital Management. Her biography contains a number of false representations concerning her background, including the lies about having a degree from Columbia University, her employment as a derivatives trader at Deutsche Bank, enrollment at the renown Wharton Business School (of the University of Pennsylvania, which, like Columbia, is also an Ivy League institution), and possessing a Series 65 securities license:[5]

[4] This is almost two years before May 2016, the date Grace Hong admitted she joined the conspiracy or engaged in criminal conduct in her Plea Agreement and allocution.
[5] A Series 65 license indicates that the person has passed the Uniform Investment Adviser Examination.

Pishon Capital Management

**VI. Manager Profiles**

**Hyun Joo Hong, CEO**

As head of Pishon Capital Management , Ms. Hong directs equity and risks strategies for the team. Prior to founding the fund Ms. Hong was a derivatives trader for Deutsche Bank Asia (ex-Japan) with $2.86 Billion Asset under management.
In order to shape the firm's long term wealth management strategies she is currently a candidate for the Certifies Investment Management Analyst designation (CIMA®) from The Wharton School, a credential that requires rigorous training and reflects an advanced level of competency regarding investment consulting.
Ms. Hong has a BA from the Juilliard School and Columbia University and a MBA from Seoul National University in Seoul, Korea. She also maintains her 65 (uniform investment advisor) securities licenses.

Through their lies and deceit, Grace and Lawrence Hong convinced C.S. and A.S. to sell two houses (including their family's residence) and invest the proceeds with the Hongs. Specifically, in July 2014, C.S. and A.S. invested $250,000 with Pishon & Co, LLC. Grace Hong, as President, signed the investment contract on behalf of Pishon:

Date: _____

**Adviser Signature**

**Adviser Name:** Hyun Joo Hong
Company/Title: Pishon & Co. LLC / President
**Address:** 601 Union St. Suite 4299 Seattle, WA 98101
**Phone:** 206-707-2683

Ultimately, C.S. and A.S. invested a total of $590,000 with the Hongs. But that was not enough for Grace and Lawrence Hong. Later, the Hongs, by fraudulently inflating and touting the returns on C.S. and A.S.'s investments, persuaded C.S. and A.S. to open their own investment advisory business to unwittingly help solicit new investors into the Hongs' fraud. By the time the Hongs' fraud was revealed in June 2017, C.S. and A.S. had lost $570,000, nearly the entire amount they invested with the Hongs.

Having sold their home and lost virtually all of their savings, C.S. and A.S. now live with their children in a rental unit in Bellevue. During her interview with the FBI, A.S. began crying as she described how Grace and Lawrence Hong had wrecked C.S. and A.S.'s dream of buying a home in a good school district so their kids could obtain a quality education. Sadly, there are numerous other victims with comparable stories to the C.S. and A.S.; more investors who met with Grace and Lawrence Hong and were victimized by the Hongs' greed.

Throughout the investigation, the FBI obtained numerous records, including hundreds of emails and numerous recorded phone calls, that show Grace Hong was deeply and intimately involved in the fraud well before May 2016. For example, Grace Hong frequently communicated with the brokerage firms to inquire about her accounts and place trades because the accounts were in her name to shield Lawrence Hong's involvement in the scheme. A disk containing two out of the many calls that the United States obtained during the investigation is attached hereto as Exhibit B. These phone calls show that Grace Hong is a sophisticated and well-educated individual (in contrast to the portrayal thus far pressed by the defense) and that she personally had significant interactions with the brokerage firms and was well aware of, and personally responsible for directing, the trading strategies that lost the Hongs' victims millions of dollars.

**2. Misappropriation of Investor Funds for Personal Gain**

The Lawrence Hong Memo contains a summary of some of the high-end purchases the Hongs made with the money they stole from their victims. In this section, the United States will highlight a few specific transactions to show just how depraved Grace Hong acted during the fraud and how frivolously she spent victims' retirement.

In May 2016, Victims P.N. and J.N., relying on the Hongs' false and fraudulent representations, including the false statements about Grace Hong's background and credentials in the prospectus, agreed to invest $185,000, their entire retirement savings, in a separately managed account at an independent broker dealer for the Hongs to manage.

By December 2016, the Hongs' terrible trading had caused the account to decrease in value by $100,000, leaving about $80,000 in the account. *Id.* Around this time, P.N. and J.N. sent a number of emails confronting Grace and Lawrence Hong about the losses in the account. Instead of admitting they were unlicensed persons aggressively trading (basically gambling) with others' money in the hope of massive returns, the Hongs doubled down, as they did with other victims. As discussed below, they did so because they needed access to more money to pay for their extravagant lifestyle --- most pressingly, a lavish Caribbean vacation and Grace Hong's expensive shopping habit.

In early January 2017, P.N. attended a lunch meeting with both Grace and Lawrence Hong. During this meeting, the Hongs falsely told P.N. that they could not keep managing his separately managed account because the SEC would not allow it. However, the Hongs told P.N. that they were giving him the unique opportunity to pool his money with other investors' funds and the Hongs' own money into Pishon fund. With that larger pool of funds, the Hongs claimed, they could employ different strategies that all but assured incredible returns. Unfortunately, P.N. still believed in the Hongs and their religious and altruistic motivations, and he agreed to invest in Pishon.

On January 4, 2017, as the Hongs instructed, P.N. and J.N. wired the remaining $80,000, the balance of their retirement savings, to a Pishon Holding, LLC bank account. *Later that same day*, and without the knowledge or consent of P.N. and J.N., the Hongs transferred the entire $80,000 from the Pishon bank account to Grace Hong's personal bank account. At the time, Grace Hong's bank account had a balance of $581.91. In short, the Hongs transferred the money because they were broke, but they had expenses to pay for.

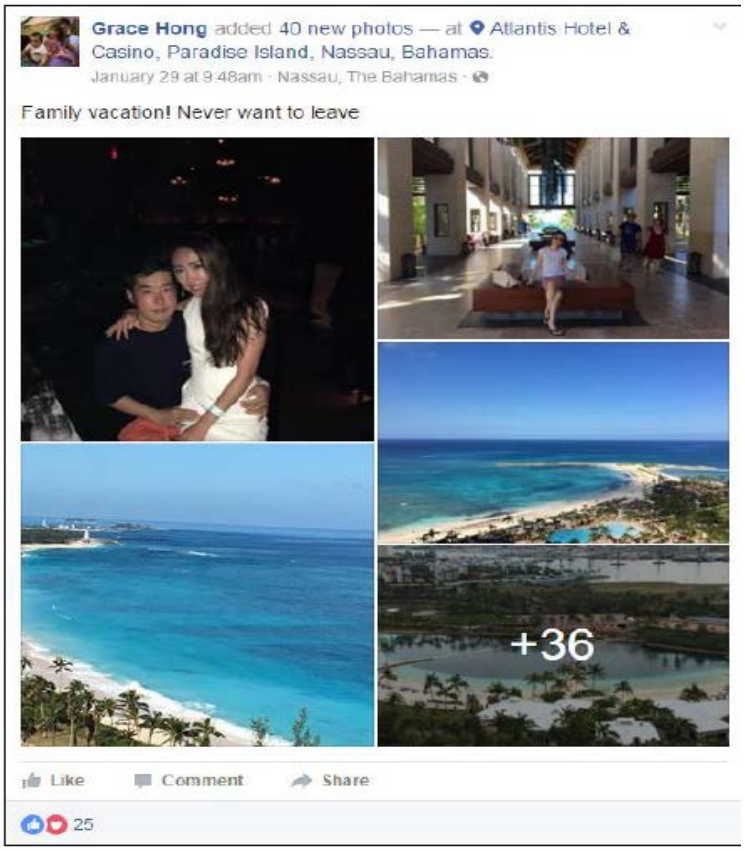
And, what was so important that the Hongs would need to so blatantly steal the last of P.N.'s and J.N.'s retirement funds? *Later that same day*, on January 4, 2017, Grace Hong made a $16,648 payment to the Atlantis resort in the Bahamas for an upcoming vacation, a $6,000 in cash withdrawals, and almost $14,000 in payments to the Grace Hong's platinum American Express Card, which was Grace Hong's credit card of

choice. Below is an excerpt from Grace Hong's January 2017 bank account statement, which shows the deposit of P.N.'s and J.N.'s retirement funds and the immediate withdrawals for the Hongs' personal expenses:

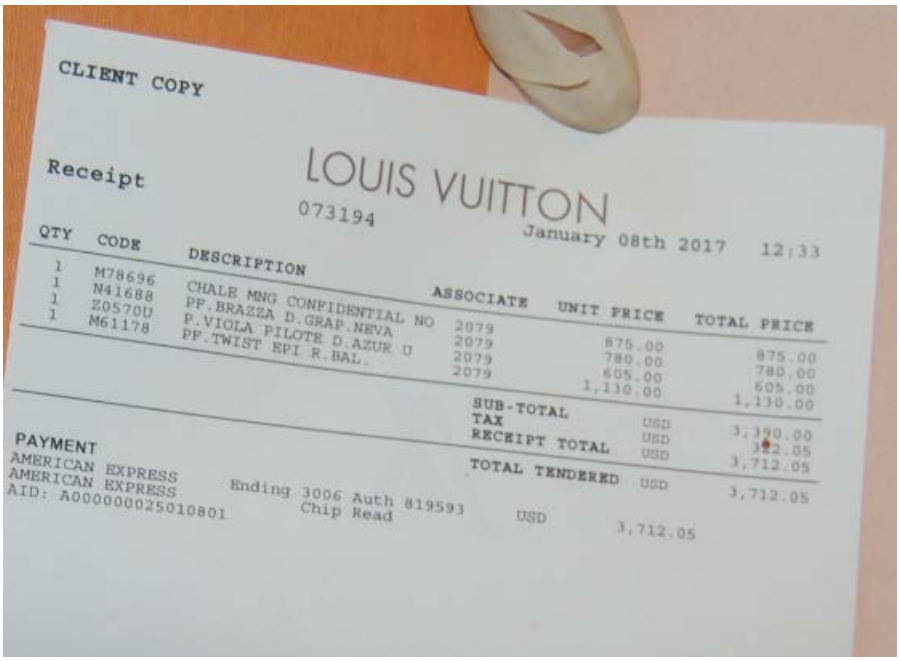
| | | | |
|---|---|---|---|
| 01/04 | Deposit 1650481145 | 80,000.00 | 80,581.91 |
| 01/04 | Card Purchase 01/02 Fedexoffice 00051359 Bellevue WA Card 4013 | - 45.94 | 80,535.97 |
| 01/04 | 01/04 Withdrawal | - 5,000.00 | 75,535.97 |
| 01/04 | 01/04 Withdrawal | - 1,000.00 | 74,535.97 |
| 01/04 | 01/04 Wire Transfer Via: Wells Fargo NA/121000248 A/C: Brookfield Hospitality Properties Sanfran CA 94104 US Ref:/Bnf/Reservation For Hotel Grace Hong 2419458 Sunhee Ann 2419468 Tr A Vel Date 1/23-1/29/Time/15:27 Imad: 0104B1Qgc04C015448 Trn: 4934400004Es | - 16,648.42 | 57,887.55 |
| 01/04 | American Express ACH Pmt M3494 Web ID: 2005032111 | - 10,000.00 | 47,887.55 |
| 01/04 | American Express ACH Pmt M6516 Web ID: 2005032111 | - 3,914.00 | 43,973.55 |
| 01/04 | Check # 314 | - 50.00 | 43,923.55 |
| 01/04 | Domestic Wire Fee | - 35.00 | 43,888.55 |

In sum, by the end of the day in which P.N. had given them $80,000 to invest, the Hongs had already spent about $36,000 of it on wasteful personal spending.

The Hongs took that trip to the Bahamas in late January 2017, flying first-class and staying at the exclusive Atlantis Hotel & Casino on Paradise Island:



However, between stealing the money on January 4, 2017, and taking the trip to the Bahamas in late January, Grace Hong used her platinum American Express card relentlessly, all financed with victims' funds. For instance, on January 8, 2017, *just four days* after misappropriating P.N.'s and J.N.'s retirement, Grace Hong went on a shopping spree, spending $3,712.05 at Louis Vuitton:



CLIENT COPY

Receipt

LOUIS VUITTON

073194

January 08th 2017 12:33

| QTY | CODE | DESCRIPTION | ASSOCIATE | UNIT PRICE | TOTAL PRICE |
|---|---|---|---|---|---|
| 1 | M78696 | CHALE MNG CONFIDENTIAL NO | 2079 | 875.00 | 875.00 |
| 1 | N41688 | PF.BRAZZA D.GRAP.NEVA | 2079 | 780.00 | 780.00 |
| 1 | Z0570U | P.VIOLA PILOTE D.AZUR U | 2079 | 605.00 | 605.00 |
| 1 | M61178 | PF.TWIST EPI R.BAL. | 2079 | 1,130.00 | 1,130.00 |

| | | |
|---|---|---|
| SUB-TOTAL | USD | 3,390.00 |
| TAX | USD | 322.05 |
| RECEIPT TOTAL | USD | 3,712.05 |
| TOTAL TENDERED | USD | 3,712.05 |

PAYMENT
AMERICAN EXPRESS Ending 3006 Auth 819593 USD 3,712.05
AMERICAN EXPRESS Chip Read
AID: A0000000025010801

and another $490.01 at Jimmy Choo, a seller of expensive shoes:

| | | | | |
|---|---|---|---|---|
| 01/08/17 | JIMMY CHOO SEATTLE 331256<br>(425)646-1111<br>Description<br>MAVY 100,VELVET,Amb | BELLEVUE | WA | $490.01 |

But Grace Hong was not done. Apparently, one vacation in January was not enough. On January 12, 2017, Grace Hong traveled to Beverly Hills to visit with girlfriends and pamper herself at the Beverly Wilshire, a Four Seasons Hotel, to the tune of $1,158.69 per night:

//

//

BW
BEVERLY WILSHIRE
Beverly Hills
A FOUR SEASONS HOTEL

Mr. Hyun Lee
USA

Folio No. :
Room No. : 0620
Date : 01/13/17
Cashier :
Arrival : 01/12/17
Departure : 01/13/17
Page : 1 of 1

| Date | Text | Charges USD | Credits USD |
|---|---|---|---|
| 01/12/17 | Lea Journo Salon | 115.00 | |
| 01/12/17 | The BLVD Dinner | 70.51 | |
| 01/12/17 | Sidebar | 107.65 | |
| 01/12/17 | In Room Dining Owl | 49.37 | |
| 01/12/17 | Package Room Charge | 645.00 | |
| 01/12/17 | Occupancy Surcharge 1.2% | 6.06 | |
| 01/12/17 | Room Tax 14% | 71.55 | |
| 01/12/17 | Tourism Assessment .212% | 1.07 | |
| 01/13/17 | The BLVD Lunch | 92.48 | |
| | **Total** | **1,158.69** | **0.00** |
| | **Balance** | **1,158.69 USD** | |

The next day, Grace Hong hit Rodeo Drive, where she spent $6,181.32 at Ralph Lauren, including buying a pair of pants for almost $1,000, a long sleeve crew neck shirt for $750, and a jacket (Cohen) for $1,995, among other clothing items:

**RALPH LAUREN**

444 North Rodeo Drive
Beverly Hills, CA 90210
310-281-7200

Store: 831 Date: 1/13/17 12:35 PM
Reg #: 1 Trn #: 54026 Cashier:167672
Salesperson:
213577 (Harlie),
213023 (Felicia)
Customer: Grace Hong
C0831001003233

| Item | Qty | Price | Amount |
|---|---|---|---|
| COHEN 190328675667 | 1 | 1995.00 | 1995.00 |
| BOTTOMS-W 889959026701 | 1 | 690.00 | 690.00 |
| 2nd Day 24 | 1 | 25.00 | 25.00 |
| ANNIE PAN 889959004235 | 1 | 690.00 | 690.00 |
| PANT 190866054078 | 1 | 998.00 | 998.00 |
| ARMISSA 887733694252 | 1 | 525.00 | 525.00 |
| L/S CREWN 885410986621 | 1 | 750.00 | 750.00 |
| | | Subtotal | 5673.00 |
| | | Tax | 508.32 |
| | | **Total:** | **6181.32** |
| American Express **********3006 | | USD | 6181.32 |

The same day, she also spent $3,632.25 at Dolce & Gabbana, another designer store:

| | | | | |
|---|---|---|---|---|
| 01/13/17 | DOLCE&GABBANA<br>310-888-8701<br>Description<br>MEN'S/WOMEN'S CLOTH | BEVERLY HILLS | CA | $3,632.25 |

To be clear, these shopping trips were not out of the ordinary for Grace Hong. Throughout the scheme, Grace Hong repeatedly used stolen investor money to buy such extravagant luxury and designer items. The following pictures show just some of the high end merchandise Grace Hong had at the time of her arrest in June 2017:

Grace Hong's designer handbags, of which she had nearly a dozen, retail for thousands of dollars, in some cases (Hermes Birkin bag) tens of thousands of dollars, *each*.[6]

**3. Grace Hong's Lies and Efforts to Conceal and Further the Fraud**

Throughout the scheme, Grace Hong took a number of steps to help conceal the Hongs' fraudulent scheme from being revealed. As noted above and in the Lawrence Hong Memorandum, she opened up every business and every bank and brokerage account in her name so that Lawrence Hong's involvement would not be known to the banks and brokerage firms, and ultimately, to law enforcement. Furthermore, Grace and Lawrence Hong did not mention Lawrence Hong's name or involvement in the purported investment advisory business in any documentation given to investors, including the prospectus or the investment contracts. While the investors all knew of Lawrence's involvement, Grace and Lawrence Hong knew that if they included Lawrence Hong's name in the documents there was a chance they would fall into the wrong hands, the hands of someone who would question why a felon convicted of investment fraud was involved in the Pishon entities.

[6] As discussed below, to the government's knowledge, given the asset freeze imposed by Judge Robart in the civil case, Grace Hong continues to possess these expensive items.

In addition to not disclosing Lawrence Hong's prior conviction to the investors, Grace Hong took extra steps to actively conceal Lawrence Hong's criminal past. Below are merely a few examples.

***a. Grace Hong's false statements to maintain the luxurious lifestyle used to solicit investors.***

As noted, the Hongs lived in a 9,000+ square foot mansion in the exclusive Clyde Hill neighborhood, which they rented (with victim funds) for $12,000 per month. Grace Hong secured that residence through material lies and deceit. In late 2015, she filled out and submitted the rental application to rent the Clyde Hill mansion from C.V. and M.V. In that application, Grace Hong not only misrepresented her Pishon salary (as $950,000 annually) and her work history (again, a derivatives trader at Deutsche Bank), she falsely claimed that only three people would live at the house, herself and two of her kids, and falsely answered "no" when asked if anyone who would be living in the house had ever been convicted of a crime:

**EMPLOYMENT DATA**

| | | |
|---|---|---|
| Applicant Employed By: Pishon & Co, LLC | Position: President | Company Phone Number: 206-707-2683 |
| Address: [redacted] 601 Union Street Two Union Sq 42nd fl Seattle, WA 98101 | How Long? Yrs. 4 Mos. | Salary: $ 950,000 Per Year |
| Previous or 2nd Employment (Please Circle one): Deutsche Bank | Position: Derivatives Trader | Company Phone Number |
| Address: Jongro gu, Yeungpung bldg 22nd fl Seoul, Korea | How Long? Yrs. 5 Mos. 3 | Salary: $ 470,000 Per Year |
| ADDITIONAL INCOME: Additional income such as child support, alimony or separate maintenance need not be described unless such additional income is to be included for qualification hereunder. Amount of $ Inheritance | Auto/Year/License: Maserati Quattroporte BMW X5 2015 BMW 7 2012 | Do you have any recreational vehicles, vans, boats, or motorcycles? If so specify: 45' Sea Ray Yacht |
| Have you or any person who will be occupying this household ever been found guilty of a crime? ___ Yes V No | | Ever filed bankruptcy? ___ Yes V No |
| Have you or any person who will be occupying this household ever been evicted? ___ Yes ___ No | | Anyone in the Household Smoke? ___ Yes ___ No V |

Based on the misrepresentations, Grace Hongs secured the house. Furthermore, relying on these and other false statements about themselves and Pishon, the landlords, C.V. and M.V., ultimately elected to invest with the Hongs and became victims of the fraud.

***b. Grace Hong's false statements to the Internal Revenue Service (IRS), Department of the Treasury***

Grace Hong also lied to the Internal Revenue Service (IRS) in order to shield the Hongs' fraud from being discovered. PSR ¶ 45. In 2015, one of the Hongs' victims was facing an issue with the IRS related to his investment with the Hongs. On June 29, 2015, Grace Hong, as Pishon CEO, met with an IRS Agent for an interview. During that interview, Mrs. Hong repeatedly lied to the IRS officials. For instance, among other false statements, she misrepresented that:

- Lawrence Hong, whom she only referred to as "Sung Hong," was "self-employed" in "the export/import consulting business in Korea," which was called LP Sung. (In reality, the Hongs were jointly operating and soliciting clients for their fraudulent investment scheme through the Pishon entities.)
- Pishon & Co., LLC was registered with the National Futures Association (NFA) and in the business of managing futures hedge funds, but currently had no clients and would "never take custody of its clients' money." (In reality, Pishon was not registered or in any way a legitimate business, and it did have clients and did take custody of money.)
- Grace Hong's partner in Pishon was A.C., a more experienced fund manager. (In reality, A.C. was one of the Hongs' many victims.)
- Grace Hong never had discussions with Victim D.A. to invest money in Pishon. (In reality, D.A. was one of the Hongs' many victims; and Grace Hong had prepared and signed D.A.'s investment agreement with Pishon, and sent D.A. fabricated account statements showing fictitious investment gains.)

A copy of the IRS report is filed separately under seal as Exhibit C.

In addition to the obvious point that Grace Hong did not want the IRS (or any other government agency) to know about Lawrence Hong's involvement in Pishon, Grace Hong's misrepresentation is interesting for another reason. The United States anticipates that Grace Hong will try to assert that Lawrence Hong misled her throughout a large portion of the fraud by telling her the same lie he was telling investors, that he made millions of dollars a year managing billions of dollars for wealthy Korean families. There are a number of reasons to discredit that assertion, including the fact that during the

entire seven year fraud, *no money* came to the United States from any Korean or other overseas accounts purportedly controlled by Lawrence Hong. However, and perhaps more importantly, if Grace Hong really believed that Lawrence Hong was managing billions of dollars overseas and extremely successful in doing so, wouldn't she have told the IRS that fact? Instead, she lied about Lawrence's job, falsely asserting that he worked for himself in an fictitious import/export business. This proves that Grace Hong's likely assertion that she believed Lawrence is nothing more than an attempt to minimize her own role in the fraud.

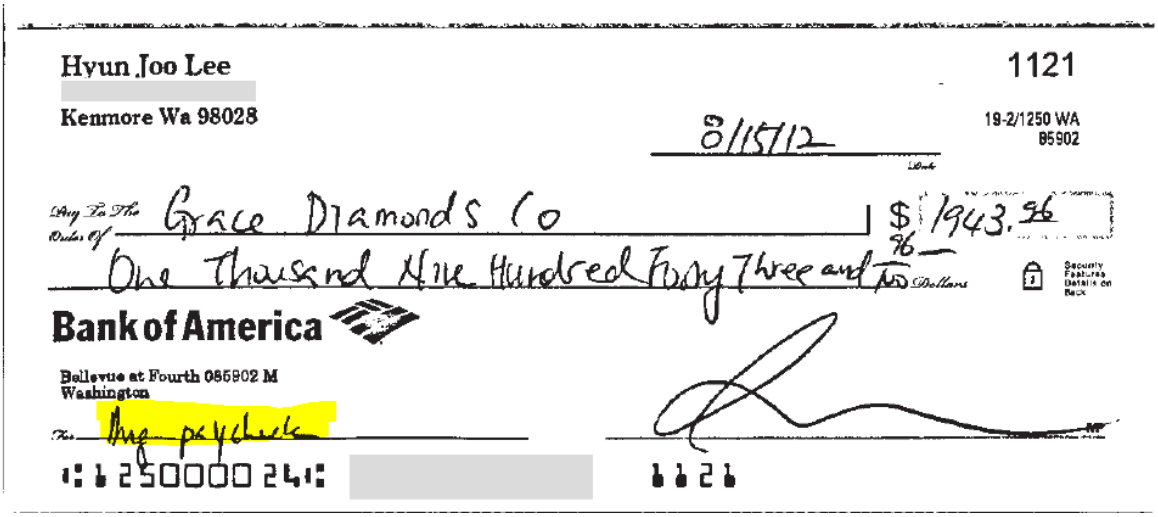
***c. Grace Hong's false statements to the U.S. Department of Justice***

As noted in the Lawrence Hong Memo, Grace Hong also lied to the U.S. Department of Justice in August 2016 to further conceal the fraud by falsely corroborating Lawrence Hong's false statements to the United States. When Lawrence Hong submitted his false Statement of Financial Condition to the DOJ, Grace Hong, through her attorney at the time, submitted her own letter. In her letter, dated August 19, 2016, Grace Hong falsely asserted that she "currently manages her own separate assets that are all inherited or were owned prior to marriage" and that "there are no community assets and there is no community income." PSR ¶ 42. These statements are blatantly false. In fact, less than one week before, the Hongs had presented at the Lancester Prophetic Conference, falsely touting their success as investment managers, and fraudulently promoting their ability to use their talents to further God's work.

***d. Grace Hong's deception of U.S. Probation Office***

Finally, as set forth more fully in the Lawrence Hong Memo, Grace Hong helped Lawrence Hong deceive the Probation Office about his employment while on supervised release. *See* Lawrence Hong Memo, page 21 and Exhibit H attached thereto. More specifically, Grace Hong facilitated the investment scheme by helping Lawrence Hung avoid paying restitution and deceive the U.S. Probation Office about his actual employment status during his term of supervised release, all while, in actuality, the

Hongs were operating fraudulent investment businesses. As confirmed by bank records obtained during the investigation, between January 2011 and August 2012 (while Lawrence Hong was reporting employment at Grace Diamonds), Mrs. Hong made periodic structured payments to Grace Diamonds in amounts that appear to pay Sung Hong's claimed wages. In fact, on August 15, 2012, Mrs. Hong wrote a check to Grace Diamonds in the amount of $1,943.96 with "Aug paycheck" in the memo line.


Hyun Joo Lee
Kenmore Wa 98028
1121
19-2/1250 WA
85902
8/15/12
Pay To The Order Of Grace Diamonds Co
$ 1943.96
One Thousand Nine Hundred Forty Three and 96 Dollars
Bank of America
Bellevue at Fourth 085902 M
Washington
For Aug paycheck
⑆125000024⑆ 1121

Eight days later, Grace Diamonds paid Sung Hong approximately that amount ($1,194.38). A copy of that check and a spreadsheet containing these payments are attached as Exhibit H to the Lawrence Hong Memo.

## III. THE ADVISORY GUIDELINES RANGE IS 188 TO 235 MONTHS

The United States has filed a separate Brief Addressing the Sentencing Guidelines in which the United States addresses defendant Grace Hong's request for a minor role adjustment and sets forth its position concerning the applicable Guidelines range. In sum, the United States respectfully requests that the Court find a total offense level of 36 and a Criminal History Category I for an advisory Guidelines range of ***188 to 235 months***.

## IV. THE 3553(A) SENTENCING FACTORS SUPPORT A SENTENCE OF 120 MONTHS

The United States respectfully requests that the Court sentence Grace Hong to a term of imprisonment of 120 months – or, 10 years – as it is sufficient, but not greater than necessary, to meet the goals of sentencing. A 10-year sentence is warranted considering defendant Grace Hong's sentencing guideline range and the sentencing factors under Title 18, United States Code, Section 3553(a), including: (1) the serious nature and circumstances of the offense; (2) her history and characteristics, including the fact that she has repeatedly minimized her role in the fraud; (3) the need for the sentence to reflect the seriousness of the offense, to promote respect for the law, to provide just punishment; (5) the need to afford deterrence to Grace Hong and other would be investment fraudsters; and (6) the need to avoid unwarranted sentencing disparities with other defendants engaged in similar conduct with similar histories. As the Court will see in the analysis of the sentencing factors below, Grace Hong's recommendation of less than 2 years is distressingly inadequate to effectuate the goals of sentencing.

### A. The Serious Nature and Circumstances of the Offense

A sentence of 10 years imprisonment reflects the serious nature and circumstances of Grace Hong's fraud. When the Hongs' seven-year fraud was finally revealed, their crime had left 57 victims with losses of over $12.7 million. The length and size of the fraud alone would warrant a significant sentence. However, there are a number of other facts that demonstrate the serious nature of the Grace Hong's offense.

First, as noted in the Lawrence Hong Memo, the Hongs conduct was a devastating affinity fraud. Throughout the fraud, the Hongs preyed upon the most vulnerable of victims – those that trusted the Hongs based upon their purported shared religious beliefs. Over and over with victim after victim, the Hongs repeatedly took advantage of that trust. As the video of the Hongs at the Lancaster Prophetic Conference makes clear, the Hongs were willing to go to any length and tell any lie in order to separate these devoutly

religious individuals from their money. In fact, Grace Hong's statements at the conclusion of the presentation highlight the callous nature of her conduct. Grace Hong told the people assembled in the church that for a few days, including the night before, she and Lawrence had been praying to God for guidance on what to say. She then feigns tears and said, "At three a.m., God woke me up and He said, 'Jehova-jireh.[7] I am your provider.' So we know, the best of times are here, and everyone will be okay, and the churches will be okay." *See* Exhibit D hereto, Video Clip from 1:00:55 to 1:03:51.

Second, like Lawrence, Grace went to significant lengths and took elaborate steps to keep their victims, banks and brokerage firms, and ultimately law enforcement, from discovering the fraud. They hid Lawrence's prior conviction from nearly all the investors. They used Grace's name on every business, investment contract, promissory note, bank or brokerage account, and prospectus. Grace lied to the United States government twice, first to the IRS and then the DOJ, to conceal the fraud.

Furthermore, as the facts from just one month, January 2017, make abundantly clear, Grace Hong was driven by an insatiable desire for materialistic things. Between January 4, 2017, the date she stole what little was left of P.N. and J.N.'s retirement funds, and January 13, 2017, Grace Hong had spent *at least* $51,000 on luxurious travel and expensive merchandise. As previously mentioned, Grace Hong's bank account balance was down to about $500 when she deposited P.N.'s and J.N.'s last remaining funds. This is just a 10-day snapshot into the excesses that the Hongs enjoyed by pilfering innocent victims' retirement funds and life savings. At the time of their arrest, the Hongs had *four* cars, including an Aston Martin that Grace Hong purchased in April 2017, just months before she was arrested, *even though she owed investors over $12 million.*

The following information from the victim impact statements is also in the Lawrence Hong Memo, but it is so important when evaluating the seriousness of the

[7] Jehovah-Jireh is one of the names of God found in the Book of Genesis. Translated, it means "The Lord Will Provide." *See* www.gotquestions.org/Jehovah-Jireh.html

offense that the United States is including it again here. In their victim impact statement, P.B. and M.K.B. describe how the Hongs were able to gain their trust:

> *We first met the Hongs through our church. They invited us to their home several times, treated us to meals, and even had us join them on a mini-vacation at Friday Harbor in the San Juan's* [sic]. *It's been very disheartening that through all this we were deceived in friendship so he can get funds from us to invest.*

Victim E.E. noted the devastation the fraud has caused on her family:

> *As a first generation Latina who grew up in the inner city, I worked hard every day to get ahead from the life of poverty that I faced. I have lived a life of giving back to the community, and have worked long hours as a Middle School Teacher to disadvantaged students. The majority of the money that was invested was from my teacher savings. I wanted a better life for my children and realized that dream when we were able to save enough money for a down payment on a home. I was going to take a few years off from work to finally be at home with our young family. This was all taken away from us when we became victims of the Hongs. The Hongs knew our financial hardships and all that we had lost in the recession. We are now faced with starting all over again and not knowing when we will able to pull ourselves out of this financial loss.*

In sum, the Hong's offense was very serious.[8] Grace Hong was intimately involved in the scheme throughout the fraud, and she personally reaped a large portion of the illicit profits obtained from it. A 10-year sentence is warranted to adequately reflect the nature and seriousness of the offense.

**B. The History and Characteristics of the Defendant**

A sentence of 10-years is also supported by the history and characteristics of the defendant. 18 U.S.C. § 3553(a)(1). The United States acknowledges that Grace Hong has no criminal history and that Lawrence Hong likely corrupted her in some respects after

[8] As the Court is aware, a number of victims submitted impact statements. However, in cases such as this, some victims choose not to submit impact statements as they may not want to relive the emotional and spiritual trauma caused by the Hongs' conduct. In fact, according to the FBI, when the agent recently reached out to one victim about submitting an impact statement, the victim told the agent the he was too upset to even submit one. This is the same victim who broke down in tears when the FBI first informed him of the Hongs' fraud.

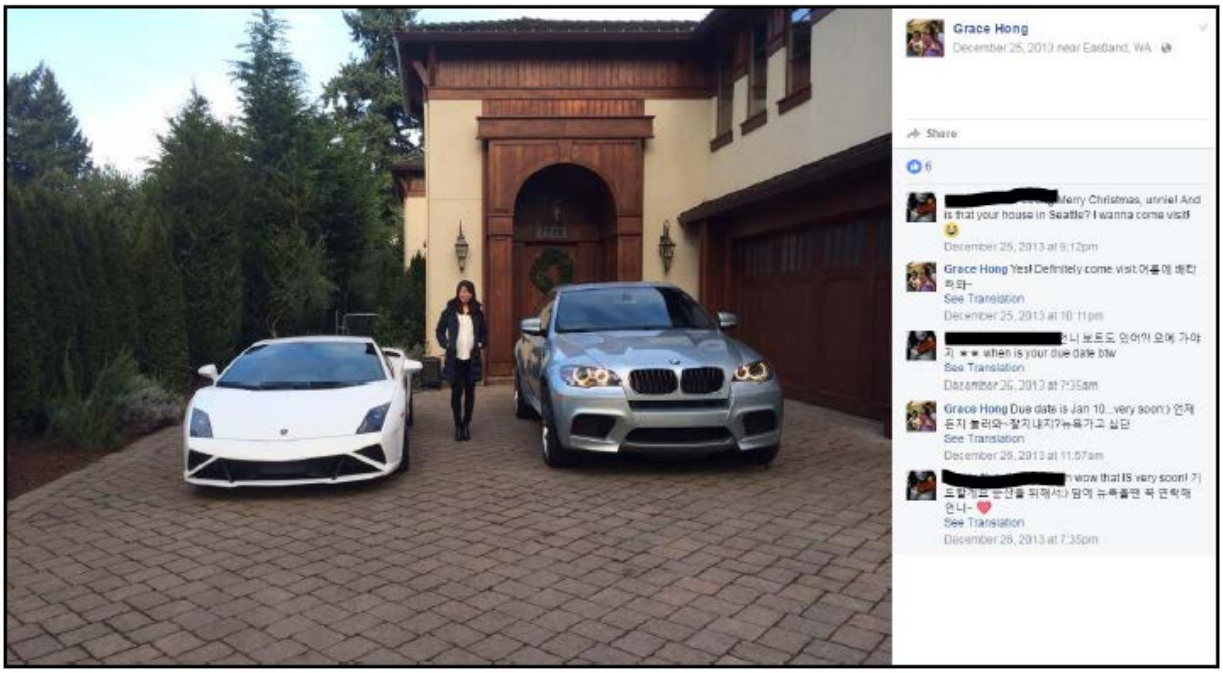
she moved to the United States to date and, eventually, marry him.[9] That is why the United States is requesting a sentence below the advisory Guidelines range. However, Grace Hong's conduct during the scheme reflects poorly on her history and characteristics. She personally repeatedly lied to investors and potential investors for years. She clearly targeted them because the investors shared her purported religious beliefs. She lied to both the IRS and the DOJ to keep the fraud from being uncovered.

While the investor losses continued to mount, she spent excessively to fund her lavish lifestyle, which she then fraudulently touted to investors as a reflection of her success. Another picture Grace Hong publicly posted her Facebook page perfectly reflects her history and characteristics, shows her cavalier attitude to the victims of her offense, and reveals the real desires of her heart:

Indeed, Grace Hong flaunted her feigned wealth, making sure others believed the façade that the Hongs were extremely successful investment advisors. Her Facebook page, for

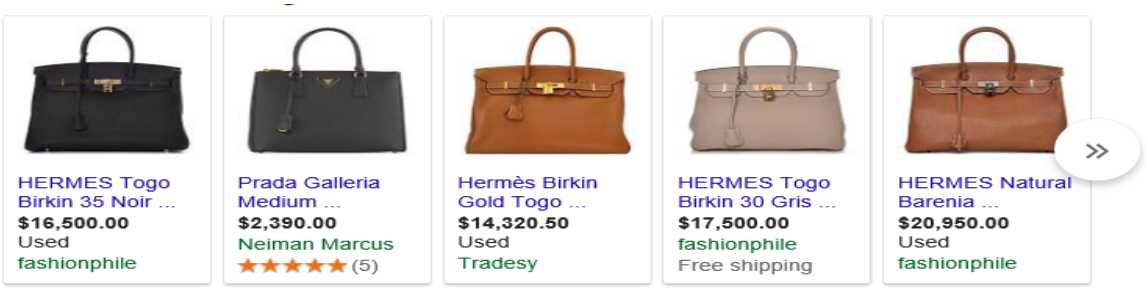
[9] Interestingly, in their interviews with the Probation Office, Grace and Lawrence provided conflicting versions of events concerning whether Lawrence told Grace about his prior conviction and incarceration before they were married. Grace said he did disclose it before marriage, but Lawrence claimed he did not. Grace Hong PSR ¶ 51. This appears to be nothing more than a thinly veiled attempt by Lawrence to minimize Grace's involvement in the scheme.

instance, is riddled with the luxuries of life that few can afford, but many can envy and aspire, including vacations and the Hongs numerous luxury vehicles:



In posts, Grace Hong even joked about buying a Lamborghini for one of her young children:[10]

Significantly, since her arrest, it appears that Grace Hong has made little to no effort to rectify the financial harm she caused. According to Pretrial Services, Grace Hong did not even try to find a job after her arrest, despite the fact that she lives with her mother-in-law, who does not appear to work, and for a significant portion of the time, she had a nanny living with her to help look after the children. Furthermore, although she agreed to forfeit the items the FBI did seize in its search, it appears she has made no effort to sell the thousands of dollars of expensive, personal items that remain in her possession, including the handbags, shoes, and clothes shown above. According to a quick internet search, some of those handbags resell for more than $10,000 *used* on the large and widely accessible secondary market[11] for such luxury goods:




Instead of trying to sell these items to marshal assets to pay back her victims during the nearly 16 months since her arrest, Grace Hong has maintained possession and use of

[10] The post includes photographs of the same white Lamborghini displayed above. However, the post is not included here because it also includes the Hongs' minor child.

[11] https://www.lastcall.com/Hermes-Birkin-30-Calfskin-Satchel-Bag/prod49520089/p.prod?ecid=LCAF__Lyst+US&utm_medium=affiliate&utm_source=LCAF__Lyst+US

these expensive items.[12] This too reveals a significant amount about her history and characteristics.

Finally, the United States anticipates the Grace Hong will point to the significant, negative impact that her incarceration will have on her young children. As noted in the Lawrence Hong Memo, the United States sympathizes with the Hongs' children, who will likely suffer with both of their parents incarcerated. However, the Court should give this argument little weight. First, the United States agrees the Probation Office's position in its recommendation to the Court, the "welfare of the children failed to factor into her decision to commit the underlying crimes, so it should not serve as a factor to mitigate punishment now that her crimes have been discovered and she is about to be sentenced." Second, as described in more detail in the Lawrence Hong Memo, Grace Hong's fraudulent conduct has caused significant harm to the children, including young children, of her victims. Some of these children have lost their college savings and a stable home.

**C. The Need To Reflect the Seriousness of the Offense, to Promote Respect for the Law and to Provide Just Punishment**

A sentence of 10 years is also needed "to reflect the seriousness of the offense, to promote respect for the law, and to provide just punishment for the offense." 18 U.S.C. § 3553(a)(2)(A). The seriousness of these crimes is greatly enhanced when, as here, the fraudulent scheme stretches over multiple years, involves over tens of millions of dollars in fraudulently obtained money and over $12 million in losses, and is perpetrated on vulnerable victims. Given the seriousness of the crime and the defendant's behavior its

[12] To the extent Grace Hong attempts to shift blame to the CFTC for her inability to sell these goods her argument or argue that the CFTC could sell the goods, these assertions are misplaced. Days before the Hongs were arrested, the CFTC brought a separate civil lawsuit against the Hongs for their unregistered and fraudulent investment business. At the time, Judge Robart, in the CFTC action, froze the defendants' assets. That suit is now stayed pending this criminal action. Even though the assets are frozen, Grace Hong could have worked with the CFTC to request a the freeze be lifted so she could sell the assets. Furthermore, the CFTC is prohibited from seizing and selling off a civil defendant's possessions to satisfy criminal restitution. Nor is that the CFTC's role.

commission, a term of 10 years imprisonment will promote respect for the law and provide just punishment for the offense.

**D. The Need to Afford Adequate Deterrence to Criminal Conduct**

A 10 year sentence is also needed "to afford adequate deterrence to criminal conduct." 18 U.S.C. § 3553(a)(2)(B). Given the length and breadth of Grace Hong's criminal conduct, the United States has some concern that she will reoffend. Even if the Court determined that she was unlikely to reoffend, the Court should still impose a 10 year sentence as it will deter would be investment fraudsters that if they steal millions of dollars from innocent victims, a significant prison sentence will follow.

**E. The Need to Avoid Unwarranted Sentencing Disparities Among Defendants With Similar Records Who Have Been Found Guilty of Similar Conduct**

Section 3553(a)(6) directs the Court to consider "the need to avoid unwarranted sentencing disparities among defendants with similar records who have been found guilty of similar conduct" when imposing sentence. Since Grace Hong has no criminal history, the chart of investment fraud sentences the United States attached to the Lawrence Hong Memo as Exhibit I is particularly instructive in her case.

The chart provides the Court with context concerning what sentences other defendants who have engaged in investment fraud received in relation to nature of the fraud, the financial harm caused, the defendant's criminal history, and the advisory Guidelines range. Considering the sentences imposed in recent investment fraud cases in this District, including the cases discussed below, a sentence of 10 years will avoid unwarranted sentencing disparities. Only one conclusion can be drawn when comparing defendant Grace Hong's intended recommendation of no more than two years with to the recent fraud sentencings in this District. That such a low sentence, which would fail to meaningful consider any of the other sentencing factors above, would create, not avoid, a sentencing disparity.

*United States v. Chris Yoo*, CR 17-075 TSZ – In August 2017, the Court sentenced Chris Yoo to a 9-year term of imprisonment.[13] Yoo, a registered investment advisor, misappropriated approximately $3.7 million from 17 victims and used the money to fund his lifestyle. *Yoo*, CR17-075 TSZ, United States Sentencing Memorandum, Dkt. 18, page 1. Like Grace Hong, Yoo had no criminal history. Unlike the Hongs, whose fraud was revealed through the tireless work of the FBI and CFTC, Yoo self-reported his crime to the United States, immediately confessed, and consented to two days of interviews in order to help unravel his scheme. Thus, the Hongs' scheme was longer, involved more victims, was an affinity fraud, and unlike *Yoo*, involved lies to the multiple agencies of the federal government. This case alone shows that a 10-year sentence is appropriate to avoid unwarranted sentencing disparity.

*United States v. Rhonda Breard*, CR10-081 MJP – In 2010, Breard was sentenced to serve 80 months in prison after admitting to running a Ponzi-scheme that resulted in approximately $11 million in losses. However, unlike the Hongs, Breard, who "had a difficult and challenging upbringing," *Breard*, United States' Sentencing Memorandum, Dkt. 26, page 1, took immediately steps to rectify her fraud. She immediately confessed and "provided the investigators with copies of all of her bank records and summary sheets she had prepared identifying each victim she had stolen from and the amount stolen from each victim." Id., page 4. Furthermore, Breard "agreed to turn over all of her assets to the government including a $150,000 cashier's check, over $100,000 in currency in a safe deposit box and 27 vehicles." Id.

Grace Hong did not confess. In fact, she is apparently still contesting the full scope of her misconduct now, shortly before sentencing, almost 16 months after she was arrested. In addition, as noted above, Grace Hong has made no meaningful effort to

[13] The United States understands that this matter is scheduled to be resentenced in the near future. However, the fact that the Court gave Yoo a sentence of 9 years after evaluating the 3553(a) factors is relevant in discussing whether the significant sentence the United States requests would result in an unwarranted sentencing disparity. As discussed below, it will not.

repay the victims of the offense. Rather, she has maintained possession and use of the expensive items she purchased with her fraudulently obtained investor funds. Thus, in order to credit Breard for her remarkable demonstration of acceptance, recourse, and cooperation, a sentence significantly higher than the 80 months Breard received is both necessary and appropriate.

Finally, a review of the other cases on the chart shows that most of the sentences for investment fraud in this District are just a little below the advisory Guidelines, consistent with the 10-year recommendation the United States is making. A two-year sentence, if Grace Hong even goes that high in her recommendation, would result in unwarranted sentencing disparity because there is nothing about Grace Hong's fraud and history and characteristics that warrant such a low sentence.

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## V. CONCLUSION

For the foregoing reasons, the United States respectfully recommends that defendant be sentenced to 120 months (or 10 years) of imprisonment, to be followed by a three-year term of supervised release subject to the conditions recommended by the Probation Office.

DATED this 28th day of September, 2018.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on September 28, 2018, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system which will send notification of such filing to the attorney(s) of record for the defendant(s).

*s/Lissette Duran*
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# EXHIBIT A

July 20, 2011

Education

1. Juilliard, BA from 1995-1999
2. University of Rochester, Eastman School of Music, MA from 1999-2001
3. Columbia University, MBA from 2006-2008

Prior to coming to the US, I've worked at Deutsche Bank Investment Group in Hong Kong from 2008-2009 and Deutsche Bank Investment Group in Korea from 2009-2010.
Currently I am waiting to start employment at Black Rock Seattle office starting this December after birth of our first child.

Enclosed are additional documents you've requested from my Local WA Bank (Uni Bank) and a copy of my driver's license.

I appreciate your consideration regarding the purchase and sell agreement of the Cobalt 360. Should you have any further questions, please feel free to contact me or Vic.

Thank you.

Regards,
Hyun Joo Lee

Social Security #:
Contact Info: 206-707-2683
E-mail: hjcla002i@gmail.com

AUDIO RECORDINGS
FOR SENTENCING MEMORANDUM
EXHIBITS B & D

Hand Delivered to Court.

Exhibit B. Hong videoplayback.FullHongs.mp4

Exhibit D. [10055-10351] Audio Recording

# EXHIBIT C

# FILED UNDER SEAL

THE HONORABLE THOMAS S. ZILLY

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

| | |
|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>HYUN JOO HONG,<br>aka GRACE HONG,<br><br>Defendant. | No. 2:17-cr-00163-TSZ-2<br><br>**GRACE HONG'S SENTENCING RECOMMENDATION** |

## I. STATUS OF CASE

Hyun Joo Hong ("Grace") is scheduled to be sentenced on October 11, 2018 for her role in a securities fraud prosecution brought against her husband and herself. A presentence report ("PSR") has been prepared and reviewed by Grace and counsel. Disputes with its content and Guideline calculations are discussed below and can be resolved without the need for an evidentiary hearing.

## II. RECOMMENDATION

It is the respectful recommendation of counsel on behalf of Grace that the Court's sentence not exceed two years in prison. Should the Court's sentence include imprisonment, we respectfully request that Grace be allowed to self-surrender and, if needed to finalize



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arrangements for the care of her children, that the Court be receptive to the possibility of a short delay of the date for surrender.

## III. INTRODUCTION

Grace Hong is an unlikely participant in this federal prosecution. She was born in South Korea and reared in a traditional Korean family where obedience and dedication to family were the practiced and expected norm. She is a devout Christian and has been since childhood. She is smart, hard-working and the loving mother of 3 children, ages 2, 4, and 6. She is 42 years old and, until her arrest in this matter, had never been in trouble at all. Yet, she has admittedly violated federal law and fearfully awaits her punishment. Viewed through the lens of the Guidelines (or the government), punishment should be severe. But such severity would overlook an array of circumstances and factors that powerfully support a significant downward variance. Such circumstances include:

- The harm that will befall Grace's children while separated from their imprisoned mother.
- The additional risk and uncertainty for the children who will likely be forced to immigrate to South Korea.
- The extraordinary shame and remorse Grace suffers knowing that it is her own actions that have placed her children at risk.
- That Grace was courted under false pretenses by her husband who, through serial lies, persuaded Grace to abandon her life in South Korea, move to the United States and marry him.
- The heightened shame and remorse Grace suffers for bringing Laurence into the life of her parents, who were also victimized by Laurence and suffered financial loss greater than $400,000.
- The fact that Grace is significantly less culpable than her husband, a circumstance that is not adequately accounted for by the Guidelines.



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- The role cultural influences played in Grace's obedience to and trust in her husband.
- That Grace, a permanent resident, will be deported following service of her sentence.
- That Grace, as an alien prisoner, will be ineligible for programming, privileges and less restrictive types of custody that are available to imprisoned U.S. citizens.
- That Grace is a defendant in a parallel civil action, brought by the U.S. Commodity Futures Trading Commission, an action based on the same facts underlying this prosecution but that carries the risk of additional financial penalties.
- The prospect of unknown consequences and financial penalties in South Korea resulting from lawsuits as threatened by at least one government witness.

Each of these circumstances will be touched on below. Collectively, they support our view that statutory sentencing purposes and traditional principles of justice are best addressed through punishment that accounts for the immeasurable suffering Grace has already endured and will continue to endure for the rest of her life. Central to our recommendation is our understanding of Grace's complex relationship with her husband and extant cultural influences rarely seen and so significantly at play as in this matter. Grace Hong is in trouble because she obeyed her husband. She does not offer her obedience as a legal excuse for her actions. But, when considered in context, the unique circumstances of her case warrant mercy.

## IV. DISCUSSION

### A. Grace's Background.

#### 1. Early Years.

Grace Lee was born to parents Byung Yong Lee ("Mr. Lee") and Minja Choi ("Minja") on February 7, 1976. Raised in a typical, conservative South Korean household, Grace and her



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younger sister were taught at a young age to assume responsibility for the family's welfare, to respect authority, and to love unconditionally.

Mr. and Mrs. Lee exemplified those virtues ultimately passed on to their daughters. Mr. Lee, the breadwinner and family rock, was a strict man of few words who supported his children in all possible ways. At times, this proved difficult given the demands of his work at LG Electronics, where he rose from an entry-level position (that he obtained straight out of college) to be an executive after forty-five years of loyal employment. Rather than accepting his hectic schedule as a reason not to spend time with his family, Mr. Lee went out of his way to remain present as the family figurehead.

To Mr. Lee's stoic leader, Mrs. Lee—Minja—was the soft, open nurturer. Minja served as the Lee family homemaker, responsible for raising her two girls and, most importantly, honoring her husband. Minja demonstrated that honor in small ways, for example by removing Mr. Lee's socks at the end of each day, as is customary in Korean marriages. More significantly, Minja provided emotional support to the entire Lee family as Mr. Lee worked his way up the career ladder and the family moved from city to city. To Grace and her sister, Minja was and remains the model Korean wife.

The Lees moved a lot between the United States and South Korea as LG continued to promote Mr. Lee. But both Lee parents went to great lengths to ensure that their girls were raised in typical Korean fashion. Whenever they moved to the United States, the Lees lived in predominantly Korean neighborhoods. Grace and her sister partook in extracurricular activities like piano and ballet lessons, as is customary for young Korean girls. Meanwhile, their classmates participated in school sports teams. The Lees spent their weekends either socializing with Mr. Lee's Korean coworkers at LG or taking the family's only car to the mall where the foursome could spend time together. Wherever they went, though, the Lee family functioned as a unit and did everything they could to honor the traditions of Korean generations before them.



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**2. Faith.**

The Lee family spent the first few years of Grace's life in South Korea. When Grace was three years old, LG Electronics summoned Mr. Lee to New Jersey. The entire Lee family moved from Seoul to the United States. There, Grace attended nursery school until the first grade, when she enrolled in Catholic school.[1]

Catholic school was Grace's first introduction to Christianity. Although Grace's grandmother was a devout Christian, neither of her parents practiced. Grace was eager to learn more. Throughout the second, third, and fourth grades, Grace read the Bible outside of class, attended Bible study, and rode the bus to church every week, often by herself.

Near the end of Grace's fifth-grade year, the Lees moved back to South Korea. There, Grace attended a regular elementary school, but she continued to dedicate herself to God. Grace's family at the time lived directly across the street from a church. Grace often walked across the street to spend time with fellow churchgoers and enjoy the free candy and treats handed out to Sunday school children.

Spurred by another promotion, Mr. Lee and his family returned to the United States—New Jersey—when Grace was in the sixth grade. This period of Grace's life was one of spiritual growth. Grace continued to attend church, most often on her own, but with her mother's permission. As a signal to the outside world of her devotion to her faith, Grace decided she wanted to adopt an American name with biblical ties. While flipping through the Bible one day, she landed on the word "grace."

The Lees remained in the United States until Grace finished the eighth grade. They returned to South Korea for the entirety of Grace's high school career. Grace attended a Christian high school that had a prayer room she would often visit when she felt like she needed to talk to

[1] Christianity is one of the three most popular religions in South Korea. *6 Facts About South Korea's Growing Christian Population*, PEW RESEARCH CENTER, http://www.pewresearch.org/fact-tank/2014/08/12/6-facts-about-christianity-in-south-korea/ (last visited July 24, 2018).



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God. Grace spent her entire Sundays in church, studying the Bible and worshiping God through music.

**3. Music.**

Grace's love for God developed in parallel with her passion for music. Grace's father has always loved classical music and exposed both of his daughters to music during their childhood. Grace was given the opportunity to make her own music for the first time in elementary school. She tried her hand at the clarinet and became a skilled player in little time. Driven by her desire to worship God through music, and encouraged by both her parents, Grace spent most of her waking hours practicing the clarinet. In junior high school, Grace earned the honor of playing first chair in the school band. She also began to play for her local church's orchestra.

Grace's teacher recognized her talent and urged Grace to apply for the music program at a prestigious arts school in Korea. Hours of focused study culminated in a successful audition and Grace's admission to one of South Korea's premier schools, Seoul Arts High School. There, Grace flourished and graduated in 1995. She pursued music in college as well and obtained a Bachelor of Arts in Music at Korean National University of Arts in 1999. Wishing to push her limits, Grace returned to the United States to pursue a master's degree at the Eastman School of Music at the University of Rochester in New York. While at Eastman, Grace studied music theory and history. She and her classmates performed almost every week and traveled abroad for performances as well.

Mr. Lee and Minja were pleased and proud when they heard the news of Grace's acceptance to the Eastman School of Music. They knew that Eastman was highly regarded. They hoped Grace's enrollment and subsequent degree would both fuel her passion for music and enhance employment opportunities. That hope calmed concerns over Grace's living alone in the United States. While proud of her accomplishments, Grace's parents knew she was naïve and with little life experience. Grace completed the program and graduated from Eastman in 2001.



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**4. Business.**

Grace's music career presented unexpected opportunities. After graduating from Eastman, Grace enrolled in a work study program at the Julliard School in New York City.

Grace's work at Julliard involved equal parts music and business. The work was not glamorous. Grace primarily worked in the concert hall's back office where she observed and was drawn to the business end of music. Grace and others enrolled in the work study program were tasked with putting on performances and, to that end, managing ticket sales, marketing, and the like. The more she saw, the stronger her interest in business became. Grace simultaneously kept up her music career by performing in various quartets to make money on the side, playing at weddings, and performing at her church.

Grace spent a lot of time considering whether she should continue performing as a "pure" musician or seek out a profession that was less familiar and less certain. She was inspired by her father's success at LG, and after much deliberation, Grace decided to quit music and learn more about business. The Lees observed Grace's career change with equal parts pride and apprehension. On one hand, they recognized that Grace was capable and talented. On the other, the Lees are pragmatic, risk-averse people, and a sudden career change of this nature made them nervous. While Grace had a toe hold in the world of music, a future in business was uncertain.

Grace felt she was up to the challenge. Her work study at Julliard provided a bit of experience and created a lot of interest. She learned about a one-year certificate program at Columbia University that catered to individuals with undergraduate degrees who wanted to learn about business fundamentals, like accounting and finance. Grace applied and was accepted. Through this program, which Columbia offered through its continuing education program, Grace would take undergraduate classes along with a few classes at Columbia's business school. Grace's plan was to complete the one-year program and then enroll in a full-fledged MBA program so that she could build a career in business, just like her father had done. Unfortunately, Grace only completed part of the program before her plans were unexpectedly cut short.



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**5. Sickness.**

Grace's business aspirations were abruptly put on hold when she collapsed and fell ill in the middle of her studies at Columbia. Grace was forced to abandon the certificate program, leave New York, and travel back to Korea where she was diagnosed with and underwent surgery for hypothyroidism in 2006. Grace was thereafter hospitalized for two months and underwent radioactive iodine treatment. Grace endured about six months of treatment total.

Although Grace's business aspirations stalled, she became healthy enough after a handful of months to pursue them once again. Grace obtained a job working at a performing arts center in Korea in a position that involved public relations, marketing, and setting up performances. She later applied to and was accepted to Seoul National University's one-year MBA program. There, Grace met her classmate Allen Choi ("Choi"), who Grace recalls was a talkative, outgoing presence. Choi and Grace were part of the first class of students to progress through the University's new MBA program. The small class of about twenty students was close, though Grace and Choi never socialized one-on-one outside of school. Grace and her class became the first MBA graduates from the University in 2007.

**6. Post-Graduate Employment.**

After Grace graduated from Seoul National University, she worked as an intern for Deutsche Bank. When she completed her internship, she obtained a temporary position with Monitor Consulting Group and stayed there until she secured a permanent job with ITG, a derivatives trading company. Grace first served as a junior derivatives trader for ITG. In this capacity, she assisted senior traders with their work in the Korean market. After two months, Grace and her fellow junior traders were given their own accounts to trade on. Grace was happy. She had received her MBA and was slowly beginning to gain experience in the realm of business.

Grace's contentment was short-lived, however. Shortly after joining ITG, Grace and others were laid off. The ITG layoff sent Grace into a period of despair. She felt that she let



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down herself and her parents who, she lamented, might have been right all along in urging her to pursue a career in music. Grace was at a dead end. She had invested substantial money, time, and effort into her budding business career, only to have it come to an abrupt, unexpected end.

Grace did her best to recover. Even though she was not able to work in business at the time, Grace still wanted to help support her parents, with whom she lived, and who were, in effect supporting her. Grace begin to look for other work so that she could contribute to the Lee household.

Grace eventually found a job teaching English and began to rebuild her life. Still recovering from the embarrassment and shame she felt from her layoff, Grace threw herself into her work and continued to interview with firms in hopes of getting back on the career path she had worked hard to forge. Before too long, she had a lead: A coworker of hers, who also taught English, had a friend with connections to a successful financier in the United States. With Grace's permission, the coworker and the mutual friend coordinated to provide the financier with Grace's contact information. Not much longer after that, the financier emailed Grace.

**7. Grace's Introduction to Laurence.**

The financier's name was Laurence Hong. After a few emails back and forth, Grace and Laurence hit it off. What started off as a professional connection evolved into something more personal. Over time, Grace confided in Laurence about her career struggles and the deep disappointment she felt after the layoff. Laurence said he believed in her, that she had talent, and that he would help Grace realize her full potential.

Due to geographic constraints, Laurence and Grace's relationship continued to develop over email. Grace at the time remained in Korea, and Laurence (unbeknownst to Grace) could not leave the United States due to his prior felony conviction. But Laurence did not let the distance get in the way of his desires. Over the course of mere weeks, Laurence aggressively courted Grace from abroad through various email messages and long phone conversations. He



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told Grace about his love for God, his success in finance, and his hope that Grace could help him pursue his dreams. Below are a few illustrative emails and attachments.

- On September 19, 2009, Laurence sent Grace a picture of himself on a boat, in front of an expensive car, in front of a waterfront property with a jet ski parked in front, and at Las Vegas. Ex. 1.

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- On September 21, 2009, Laurence told Grace how "truly amazing" it was that he "could share with [Grace] all [his] ambitions in life. I really thank God for letting me meet you[.]" He said that his ambitions "can scare or burden certain women. I am just betting that you can somehow not only handle it but get me there more effectively. Let me conquer all my dreams and I will promise to provdide [sic] you with all the Prado's [sic] that I can bring from China." Ex. 2.



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- On September 27, 2009, Laurence told Grace he "was writing e-mails to all my associates and friends in Korea," and that he "really gave [his] best in order to create a life style that most people can't even dream about. The only thing that was missing was a partner that can not only fill the blank spot in the picture but enhance it. . . . I wish December would come quickly so I can have you looking totally swagged out in your new Prado [sic] and Gocci [sic] outfits." Ex. 3.

- On November 17, 2009, Laurence told Grace, "After meeting the pastor this afternoon, once again, I am just blown away about what God has in store for our future." Ex. 4.

- On December 30, 2009, Laurence told Grace that he is proud and amazed at her dedication to God. "I know in my heart that I don't deserve you Grace but I guess God is telling me to be a better man in my life here on earth and give testimony to how great He is." Ex. 5.

Grace quickly became smitten with the kind, empathetic, and deeply religious Laurence. Her parents, meanwhile, regarded their daughter's infatuation guardedly. Minja, in particular, was surprised by the strength of the pair's sudden bond, especially given that the two—and their parents—had not yet met in person. But she trusted her daughter, and that her relationship with Laurence was a healthy, wise one, as Grace and Laurence—both in their mid-thirties at the time—were stable, mature adults.

In November 2009, Laurence bought Grace a designer bag, a fully-optioned Range Rover (though Grace later found out it was leased in the name of a family friend and owner of Grace Diamonds, Grace Hwang), an apartment in Washington Square (though Grace later found out it was rented, eventually in Grace Hong's name) and a first-class flight to the United States. The two would finally meet in person, and when they did, Grace's affection for Laurence only grew.

**8. The Lees Meet Laurence.**

Laurence asked Grace to be his wife not long after she visited him in the United States. Grace was excited for her parents to meet her new fiancé. Laurence, acknowledging that the proper thing would have been for him to fly to South Korea for the meeting, instead asked to



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meet in Seattle. Laurence explained that his hectic work schedule for many impressive clients—including a slew of wealthy Korean families he did work for overseas—prevented him from going abroad. This, of course, was untrue. He could not leave the United States.

Minja and Grace flew to Seattle not long after the couple's engagement. Laurence greeted the two at the airport and drove them to an impressive mansion in the city. This, Laurence explained, was part of what he did for a living. Minja began to believe that Laurence was no ordinary man.

From Minja's perspective, Laurence's introduction into Grace's life brought a divine logic to her daughter's professional goals. Perhaps Grace had been destined to switch career paths from music to business so that she would be worthy of a wealthy business man like Laurence. Perhaps Laurence had come into Grace's life during this period of struggle, when Grace was out of work, to take care of her. The pairing made sense.

Mr. Lee met Laurence shortly after the meeting with Minja, again in Seattle, ostensibly, once again, because of Laurence's work conflicts. Mr. Lee, like Minja, was impressed with Laurence's business success and affection for Grace.

**9. Marriage.**

During the time that Laurence was courting her, Grace kept up with her social and professional network in Korea. Since graduation, Grace had regularly met up with her classmates from her MBA program at Seoul University. Allen Choi—the president of Grace's graduating class—often would arrange such meetings at classmates' houses. Choi during this time confided in Grace that he was going through "difficult times" in Korea, including prosecution for stealing money from the company he worked for. During their conversations, Choi learned from Grace that her new boyfriend, Laurence, worked in finance in Seattle. Choi asked for an introduction, which Grace provided, and shortly thereafter, Choi moved to Seattle. Choi and Laurence quickly became friends and immediately started working together. So strong was their bond that Choi



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served as the master of ceremonies at Grace and Laurence's wedding in the April, 2010. Grace was thirty-five at the time—a relatively "old" bride by Korean standards.

**B. The Marital Relationship of Laurence and Grace Hong.**

**1. The Hook is Set.**

The Hongs' courtship began in September 2009 with telephone calls and emails, and by April 2010, the couple was wed. In that short period, Laurence learned of his wife's naivete, deep faith and interest in his field of work. He stole her heart and he won the confidence of her conservative parents without a trip to South Korea. He wowed them all on his home turf where he produced an extravagant show of faux wealth. He met, and took under his wing, Allen Choi, who provided Laurence entrée to South Korean nationals and potential investors. He nimbly adapted to these fortuities and set a course for his future financial security. That course began with Grace's parents.

**2. The Victimization of Grace's Parents.**

In hindsight, Grace sees she missed early warning signs that Laurence might not have the wealth he claimed. Even as he was courting her, Laurence encouraged Grace to invest with him, and within months of marriage, he sought investments from Grace's parents. Grace was puzzled by Laurence's aggressiveness but believed his claim that his motivation was love and concern for Grace and her family. What happened is detailed next because of its significant relevance in gauging Grace's culpability. And what happened would not have taken place if Grace had had an inkling that her husband's business was a sham.

Laurence asked Grace herself to invest with him in early January 2010. He promised that if Grace gave him $50,000, he would guarantee it and trade it along with other funds in his offshore account. Grace neither suspected nor questioned his motives, but she had little money to spare. He coaxed and she eventually relented. On January 10, 2010, Laurence forwarded to Grace an account number that she could use to wire funds to Laurence. Ex. 6. On January 12, 2010, Laurence emailed her and told her how pleased he was that she chose to invest with him:



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> I just wanted to say that I am very proud of you to come forward and really grab destiny into your own hands. I know a lot of people can talk up a good game but many follow through because of their complacency.

Ex. 7. Just before Grace completed the transaction, however, her parents—who wanted to meet Laurence before any money changed hands—stopped her.

Several months later, Laurence approached Grace's mother with a similar proposal. He told Minja that he could offer her a "once in a lifetime opportunity" to invest the Lees' funds along with those from his offshore accounts. Decl. of Minja Choi. He told Minja that the only reason he was asking her for money was because he loved the Lees' daughter, and that Laurence and the Lees are family now. *Id.* Laurence also told Minja that investing with the Hongs was the only way the Lees could remain financially stable because, according to Laurence, Mr. Lee's retirement fund was not big enough. *Id.* Laurence further explained that, by investing with the Hongs, the Lees would be able to pay for their grandson's (the son of Grace's sister) college tuition. *Id.* Minja hesitated, but relying on Laurence's assurances and a sense of loyalty to her daughter, finally agreed. The sum total of Minja's life savings at that time was $30,000. She didn't have much, but she trusted Laurence, and the timing felt right. Minja invested all of her money with Laurence but made no profit and was never repaid the principal amount invested.

Later in 2010, Laurence asked Grace's father to invest. Up to that point, Mr. Lee had never invested or borrowed money. Laurence told Mr. Lee that if Mr. Lee invested with Laurence and Grace, Grace would be able to start building her career in business. Laurence also told Mr. Lee that Mr. Lee should ask his co-workers at LG Electronics to invest with the Hongs as well. Minja Decl. Mr. Lee ultimately declined to approach his co-workers, but he himself invested $200,000 from his personal savings. *Id.* Mr. Lee made no profit and was never repaid the principal amount invested.

Laurence approached Mr. Lee to invest with the Hongs a second time in late 2011. *Id.* Laurence called Mr. Lee in Korea and asked him to fly to Seattle so the two could discuss Mr.



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Lee's finances. *Id.* Mr. Lee told Laurence that he had no more money to invest. *Id.* Laurence told Mr. Lee to take out a loan on the Lees' house. *Id.* Mr. Lee took out the loan and invested another $200,000 with Laurence and Grace. *Id.* To facilitate the investment, Mr. Lee wired smaller amounts—totaling $200,000—to Laurence's cousin (Park Mi Ae) and two of Grace's friends (Jung Sook and Kim Eun Soon). *See* Ex. 8. Laurence promised that he would guarantee the entire $400,000 invested by Mr. Lee up to that point and that he would cover all the interest payments due on Mr. Lee's loan. Minja Decl. Over time, Mr. Lee and Minja became nervous about their investment and asked Grace for an update on its performance. *Id.* Grace told her parents that she did not know how the offshore investment was doing and that "it was not her place to ask," but that Laurence had told her the original investments would be paid back in 2018. *Id.* Notwithstanding Laurence's assurances, Mr. Lee ultimately made no money and was never repaid the principal amount invested. The interest payments on the loan became sufficiently burdensome that Mr. Lee downsized the Lees' home, because Laurence, for the most part, failed to come through on his promise to help the Lees pay down the loan's interest. *Id.*

The Lees collectively invested $430,000 with Laurence. They lost everything. Their emotional toll wrought by this criminal prosecution and its many collateral consequences has exceeded their monetary losses. *See* Minja Decl. Grace and Mr. Lee have been estranged since Grace was arrested. The Lees have struggled to maintain friendships and socialize in Korea because of shame and disgrace following Grace's arrest. *Id.* And they suffer extreme concern for the future well-being of their grandchildren. *Id.*

The victimization of the Lees is set forth in some detail because they were not included as victims by the government, though their investments are reported in the discovery. More importantly, their victimization is powerful evidence that Grace believed her husband and his claim that he was providing opportunities for others to invest in a large and successful overseas fund he was managing for Korean families. That belief persisted until the day she was arrested.



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**3. Grace Hong's Hopes Unfold.**

At the outset of marriage, Grace had no reason to fear or question Laurence. She loved Laurence and believed he was a highly successful businessman and that he had solicited investments from her parents because he cared for them and wanted to help better their financial future.

The couple began to settle into their marriage and made friends easily, primarily through church functions and Korean community activities. They developed a special interest in helping others through missionary activities. They provided financial assistance to missionaries but wanted to help more directly by travelling to mission sites and meeting the people they served. For Grace, it was an exciting and eventful time.

By way of example, not long after their marriage, the Hongs met an evangelist from Atlanta, Georgia who was doing work with orphaned children in Haiti. The Hongs were moved by his work and the overall level of need in Haiti. They donated to a project that provided better lighting in communities with the goal of reducing the threat of nighttime rapes. The Hongs visited Haiti on occasion to witness the fruit of their financial assistance.

In advance of their first trip to Haiti, the Hongs met Dr. Don Ahn, a Korean cardiologist who expressed interest in Laurence's investment background. The Atlanta evangelist made the introduction between the Hongs and Dr. Ahn because of their shared faith. Dr. Ahn, like the Hongs, was a devout Christian. The Hongs and Dr. Ahn decided to go to Haiti as a group to help with the evangelist's work. Laurence and Dr. Ahn bonded during their first trip to Haiti, where Dr. Ahn and the Hongs helped build a hospital, a school, and other buildings. Dr. Ahn and Laurence became close friends and soon came to refer to one another as "brother." Dr. Ahn, who was eager to profit from Laurence's purported investment prowess, invested with Laurence. Grace was not directly involved in their business discussions but, at the direction of Laurence, she prepared paperwork related to his investments. Like Allen Choi before him, Dr. Ahn became a central figure in the Hongs' life.



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With the backing of Dr. Ahn, Laurence's investment business continued to develop. Choi assisted in recruiting investors, and Laurence began creating business entities to facilitate the investments. Laurence, due to his felony conviction, was barred from participation in regulated investment activity. Though Grace had little experience or acumen in the investment business, she was the nominal head of the created entities. She prepared and signed virtually all paperwork and frequently communicated with investors. To justify this subterfuge, Laurence told investors and Grace that his work with the Korean families created a conflict of interest and he could not be named in paperwork associated with his investment entities. This cover was a continuing refrain, used repeatedly to explain why Laurence was not "on paper." Just as importantly, the mysterious Korean families and their massive fortunes—all ostensibly managed by Laurence—was the principal lure used by Laurence to coax money from investors he was recruiting.

Laurence's apparent professional success early in the Hongs' relationship yielded high returns and, for Grace, expensive gifts. For Grace, this was an adjustment. For her entire life before meeting Laurence, Grace had lived a comfortable yet practical middle-class life in South Korea. Her parents were not rich. Her career aspirations never had been money-driven. To Laurence's Maserati, Grace was a Honda Civic (which, incidentally, Grace preferred to borrow from the Hongs' nanny rather than running errands in Laurence's foreign cars).

Her life experience had not equipped Grace with the ability to appreciate high-end fashion, designer bags, and expensive cars. For that, she needed Laurence, and he was happy to intervene. He admitted, though, that his intentions were not solely altruistic. "When I buy you things, it's not for you; it's for me," Laurence explained. He reminded Grace she would need to wear the finest items if she wanted to fit in with the crowd of investment clients and their "society wives" with which Laurence regularly fraternized.

Laurence bought Grace a variety of gifts. In 2011, for example, Laurence gave her a Hermes bag after a particularly successful trade. Later, Laurence and Grace got in the habit of travelling to Los Angeles to discuss business with Dr. Ahn, during which Laurence would take



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Grace to places like Rodeo Drive and insist on buying her designer clothes (but paying for them with her credit card, and signing her name). Laurence was outwardly generous, but his acts of generosity were laced with demeaning comments, reminding that Grace was dispensable.

**4. All Was Not as It Seemed.**

The Hongs' relationship was not without its difficulties. Shortly after she and Laurence officially married at the courthouse, but before their more traditional wedding ceremony, Grace hired an immigration lawyer to help her become a legal citizen of the United States. Grace found out during this process that Laurence had previously been convicted of a felony for wire fraud. When she asked Laurence for an explanation, he told Grace that the man who instigated his criminal charges was a former neighbor who "sues people for a living." The same man, according to Laurence, had eight hundred lawsuits pending against various others. This was a lie. Laurence told Grace nothing about the particulars of the crime, the details of his sentence, or that he was forbidden from trading.

It was difficult for Grace to accept Laurence's criminal past, and that he had kept it from her during the beginning of their relationship. Grace turned to her faith and her friends to deal with the conflict she felt inside, including Allen Choi. When Grace found out about Laurence's past and approached Choi about it, Choi said that he trusted Laurence and that he believed there was "more to the story" than could be learned from the criminal records and the media. Laurence, meanwhile, insisted that he wanted a new, legitimate start to glorify God's kingdom. Considering Laurence's sincerity, her "covenant" to love and obey, and the opinions of the couple's friends, Grace forgave Laurence. Around the same time she became pregnant with their first child.

**a. Grace Does Laurence's Bidding.**

Laurence showered Grace with affection and gifts, but always implicit in the Hongs' relationship was that Laurence was professionally, intellectually, and financially superior to Grace. Also implicit was that Grace would obey her husband. To Laurence, that meant Grace



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would have to refrain from doing things that upset him (*e.g.*, Grace must never ask Laurence about his work for the Korean families). That also meant that Grace must do what Laurence says.

The latter category of wifely duties compelled Grace to execute administrative tasks necessary to keep the Hong household running. For instance, Grace was tasked with depositing checks into an account held by Grace Diamonds (owned by the same Grace Hwang in whose name Laurence leased a Range Rover he gifted to Grace when she first flew to the United States to meet him). Before Grace and Laurence wed, Laurence's mother took care of this chore. Sometime in 2011, Laurence's mother passed off the task to Grace. It was her duty to accept the task. Grace deposited the money and continued to do so—no questions asked.

Grace's mother began to take notice of the Hongs' power dynamic early in the marriage. Grace gave birth to the Hongs' first child, Noah, in November 2011. By Korean tradition, Grace had to stay indoors for three months following the birth. But the new mother needed help. Minja flew to the states to assist. Minja's return to the Hong household opened her eyes to a side of Laurence she had not seen before. Laurence, she noticed, was dependent on Grace, making clear that Grace's priority was first to him. Minja noted, but did not think much about this quirk of the Hongs' relationship. Grace, after all, was carrying out her duty to honor her husband above all else. Minja was proud of her daughter's commitment and obedience.

Minja eventually left the Hongs, now a family of three, to themselves, but regularly returned during summertime to visit her grandchildren. The family grew to five—adding daughter Sarah and son Joseph on January 4, 2014 and February 9, 2015, respectively. As Minja watched her grandchildren grow, she learned more about Laurence, his treatment of his wife and children, and, most importantly, his triggers.

Laurence, Minja came to learn, had some idiosyncrasies. He prohibited Minja from cooking (because it made the apartment "dirty"), he screamed at Grace when he noticed food left on the floor by the children (exclaiming that neither Grace nor Minja were "proper" or "meticulous" Korean women like his clients' wives), and he reprimanded both Minja and Grace



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when Minja, with Grace's permission, drove one of Laurence's cars to buy coffee. The shouting and accusations directed toward Grace became commonplace. Minja and her grandchildren looked on without comment.

**b. Laurence's Control Continues To Date.**

Laurence's control over Grace persists, to some degree, even today. Grace spends a typical day praying, getting her children ready for and taking them to school, and responding to Laurence's innumerable emails and phone calls that only increase in frequency and hostility if she does not attend to them immediately.

Throughout the past year, the government has regularly surveyed the Hongs' phone calls and emails, and has likewise picked up on the control dynamic of Grace and Laurence's relationship. For instance, the government's Korean language specialist analyzed Grace and Laurence's phone calls between June 17 and August 11, 2017. He provided the following synopsis:

> During the period, calls between Grace and Laurence Hong were mostly about porn stories they write to each other, predominantly the ones Grace was instructed to write daily via email. There were two occasions where Laurence blew up over her not picking up calls, threatening to end their relationship but ending up making up as she profusely apologized. Laurence emphasizes staying connected closely and regularly is the key to the survival of their relationship also helping each other relieve sexual desires thorough [sic] daily porn series. She appeases him by complying with his demand rather willingly.

Ex. 9. The language specialist provided another synopsis for calls from January 2018, summarizing as follows:

- Laurence tells his mom to get a phone (in addition to her cell phone) to save money on the calling charge. (3:13 pm on 1/12)
- Laurence reminds Grace to get the phone (for mom). (8:51 pm on 1/12)
- Laurence explains to Grace about the pay-as-you-go phone, about which she is to remind his mom. (8:47 pm on 1/14)



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- Laurence again reminds Grace about the phone. (9:24 pm on 1/14)
- Asked about how to receive the number (of his mom's new phone), Laurence tells her to have his mom email him. (11:52 am on 1/15)
- Laurence informs Grace of his receipt of the number via email, instructing Grace to tell his mom that he will call 9:30 am and 2 pm tomorrow. (3:28 pm 1/15)
- Laurence says his mom is not answering the (pay-as-you-go phone). (9:46 am on 1/16)
- Grace tells Laurence his mom got a wrong number initially, so she had to get a new one, (206) 725-2236 from the vendor at Boo Han market. Laurence tells her to hold onto the phone and answer it instead of leaving it with mom, and she viscerally refuses, and he gets mad and orders her to just follow what he says. (10:04 am on 1/16)

Ex. 10. While the government's stealth was likely designed for other purposes, the intercepted conversations provide emphatic proof of Laurence's dominance and Grace's obedience.

Minja, who stayed with Grace, her mother-in-law, and the children for part of this summer, has witnessed Laurence's dominance from the jail cell first hand. In the beginning, Minja attributed Laurence's temper to the enormous pressure he must have been under from working and catering to his impressive slew of clients. And Minja, although senior to Laurence, was duty-bound to follow the will of the man of the house.

Throughout the last seven years, Minja has done her best to support her daughter and her grandchildren in every way possible, all the while actively avoiding upsetting Laurence for fear of disturbing harmony within the family. Eventually, though, Laurence directly involved Minja in his personal affairs. One day when Minja was staying with the Hongs, Laurence approached her in private. He explained that his ex-wife gave him $9,000 at the outset of their marriage. He wanted to know how much Minja could offer on Grace's behalf. Minja, shocked by the solicitation, explained that she and her husband were not rich: "We don't have any money."



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Minja used to thank Grace for being an obedient wife to Laurence. Today, Minja thinks Grace should leave Laurence and start over.

**C. Grace's Role in the Offense.**

We believe that from the outset of his relationship with Grace, Laurence entertained designs to use Grace to restart his involvement in trading activity. Grace was an ideal foil. She was compliant, but also smart and engaging. She was eager, having her own dreams of opening a foundation to raise money for those in need. And Grace's parents and introduction to Choi brought the prospect of ready cash to jump-start his business.

Laurence began activation of his plan by molding Grace to project the image needed. He told Grace at the outset that, if she wanted to succeed, she would have to effectively "package" herself. Her legitimate credentials—her master's degree in music, her experience at Julliard, her Deutsche Bank internship, and the brief amount of time she spent at Columbia—were not sufficient. Better to elaborate on those credentials to instill confidence in their prospective investors. Grace obeyed.

Laurence also told Grace that she alone would have to manage the paperwork, and that everything would have to be set up in her name. Grace asked why. Laurence advised, and repeated the explanation to Minja and others, that he made too much money abroad for five wealthy Korean families, and that potential conflicts of interest prevented him from running an investment business at home. Grace believed him and readily accepted her role as the nominal manager of his investment activity.

Consistent with her role, Grace made false claims throughout the duration of the Hongs' investment activity. She lied about her educational background to Dr. Ahn early on and she provided false information to prospective investors who attended the Lancaster Prophetic Conference in late 2016. In between, Grace doctored documents to assuage concerns of investors, she misrepresented her credentials repeatedly, and she even helped Dr. Ahn with an IRS investigation by providing that agency inaccurate information. Similar deceits occurred from



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time to time. What she did and what she said was largely done at the direction of her husband. But Grace knew she was lying and she knew the point of her misrepresentations was to engage investors, many of whom suffered significant financial loss. She is guilty of a participation in a serious and harmful fraud.

Nonetheless, Grace insists she did not know that Laurence's off shore Korean family investment fund, the central lure used to attract investors, was a fiction. She thought the money was there and that the investors she helped recruit were in good hands. She clung to that belief and ultimately allowed her loyalty to Laurence to override her own sense of right and wrong.

**D. Indicators of Grace's Limited Role.**

The government's recommendation is unusually harsh. It may be influenced by a belief that Grace knew all along, or close to it, that Laurence's Korean family investment fund was non-existent and therefore, she is as culpable as him. If so, the government is mistaken. The investigation reveals ample evidence that Grace Hong, too, was deceived by her husband.

**1. The Victimization of Grace's Parents.**

Details concerning the investments and losses of Mr. and Mrs. Lee are discussed above. There is absolutely no reason to believe Grace would have allowed her parents to invest had she known her husband's overseas fund was a sham. There is every reason to believe she would have intervened on her parent's behalf had she ever learned they had been victimized. This inconvenient truth eviscerates the government's apparent belief that Grace was "all in" and undercuts the reliability of its recommendation.

**2. A Closer Look at Choi, Ahn and Cheng.**

The actions and statements of three central players in this prosecution, Allen Choi, Dr. Ahn and Alex Cheng, directly and circumstantially support a conclusion Grace was unaware of the depth of her husband's deceit.



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**a. Allen Choi.**

Choi began working with Laurence before Grace and Laurence were married. According to FBI reports detailing interviews with Choi, he met Laurence in Seattle around March 2001. The two hit it off and became close friends. Choi reported that Laurence told him, as he did Grace, that "he managed money for wealthy Korean families . . . [but] was private about the details of his hedge fund."[2] At Laurence's suggestion, Choi moved to Seattle. According to Choi, Laurence asked him to invest "and to find other investors." He told the FBI that "Laurence, and not Grace, was going to be the one doing the trading." The two developed a plan to start an investment fund called Primoris. The plan was for Choi to learn to manage the fund. The investors would be his "closest friends who trust him." He told the FBI that the investors "never interacted" with Grace.

Choi was successful in soliciting nearly $750,000 from 10 investors. Some were friends of both Grace and Choi. While Grace processed funds as invested with Primoris, she had no direct involvement in the solicitation of the investments and was not privy to the business arrangements between Laurence and Choi. Choi corroborates Grace's limited involvement in Laurence's scheme.

It is noteworthy that Choi admitted to the FBI that he was aware Laurence had a criminal record but concealed from investors that critical fact when soliciting funds. Investors contacted Choi, upset that he had left out this "huge piece of information," which they learned of when the Hongs were arrested. Choi suffers no consequence for this complicity.

Even more troubling, Choi told the FBI that he intends to file charges against Grace in Korea. He told the FBI that "it is common in Korea for families to settle with the complainant when charges are filed, after which the charges are dropped. Choi is hopeful Grace's family in Korea will settle with him when he files charges." This brazen plan reeks of criminal extortion

[2] All quoted language in this section comes from information reported in FBI 302s.



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and the possibility of future peril for Grace. As noted in the Introduction above, we believe this threat is relevant to the Court's sentencing decision.

**b. Dr. Don Ahn.**

Dr. Ahn was an early and major investor. His loss is placed at nearly $4 million. As discussed, the Hongs and Ahns met through church and mission related activities and became close friends. Both couples were motivated to help others through ministries. In statements to the FBI, Dr. Ahn reports that he learned about Laurence's criminal record and "multi-billion dollar" trading activity in private conversations with him. Laurence convinced him to invest money that would be invested in the "Korean group's large fund and he (Laurence) would manage it." Dr. Ahn said that Grace was not present when this conversation took place.

That Grace was not in the know as to the state of affairs with the Korean family fund was further corroborated by Dr. Ahn in an email sent to Grace following a dinner at the Hong's home attended by Dr. Ahn and his wife, Jaye. At dinner, Dr. Ahn's wife learned for the first time of the extent of Dr. Ahn's aggressive investment activity with Laurence. She became very angry and an outburst ensued. Dr. Ahn's email to Grace was an apology. *See* Ex. 11. He noted that his wife "didn't know all the story" of his investments with Laurence nor was she aware he bought a boat for Laurence. He describes how his wife, through a simple Google search, discovered Laurence's criminal past and despite his attempted (and false) explanation, she remained mad at him for being "a not communicating husband." *Id.* He ends by expressing his regret for his "actions with Laurence in the past without discussing with you and Jaye." *Id.*

This unfiltered email supports the fact that Grace was not privy to the dealings between Dr. Ahn and Laurence.

The email is important for another reason. It illustrates a gender inequality norm pervasive in Korean marital relationships—a man need not discuss his affairs with his wife. This reality and its relevance to our sentencing recommendation is discussed below. *See infra* Section E. Indeed, Dr. Ahn confirms this phenomenon in his conversation with the FBI where he



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reported that Laurence told him not to tell Grace how he was investing his money. When Dr. Ahn asked why, Laurence replied, "because he is a man, and he was traditional." Dr. Ahn, too, corroborates Grace's limited role in and limited understanding of Laurence's affairs.

While Grace was not privy to many of the discussions between Dr. Ahn and Laurence leading to Dr. Ahn's investment, she appears to have assisted Dr. Ahn in falsifying information provided to the IRS during the course of an investigation of Dr. Ahn's investment activity. Dr. Ahn was provided a proffer agreement by the government in exchange for his cooperation, effectively immunizing him from prosecution from his criminal activity.

**c. Alex Cheng.**

Alex Cheng was also a major investor. His losses are pegged at approximately $3 million. He and his Korean wife were neighbors of the Hongs. They met socially in 2013. Cheng is a smart man and a seasoned private trader. He did well and created a company, Dynasty Capital Management, to trade family money. He hoped to attract outside investors to his company but never followed through on that ambition. According to his statement to the FBI, he learned from Grace that Laurence "was a private fund manager for wealthy families in Korea and was a futures trader." She encouraged them to meet, which they did. In a private meeting with Laurence, Cheng learned more of Laurence's activity and apparent success. Cheng was smitten. His statement to the FBI is replete with gushing expressions of his admiration and regard for Laurence. His trust was complete. His due diligence was not. He reported to the FBI that "a few days after going to the Hongs' house" he wired Laurence $1.5 million to invest on his behalf. He invested more later. He even agreed to help Grace set up a separate fund that she would operate and he would assist through research and managing of investments. That fund never materialized but during the process, Cheng grew wary of the Hongs due to stalls and other failings. Before long he emphatically withdrew from the venture. He ultimately asked Laurence to return the money he had invested. Laurence stalled him and, in an arrangement between the two, during which Grace "was not present," a promissory note was executed.



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The purpose of the discussion above is not to exonerate Grace but rather, to demonstrate that with these three investors, who account for the lion's share of the alleged loss, she was a largely marginalized player, a woman, who did not take part in the discussions of the men. Indeed, Cheng described her as "the face of the company" and Dr. Ahn thought Grace was doing the "secretarial work."

Perhaps more importantly, the above discussion highlights Laurence's dynamic, persuasive personality. People believe in him. Even people like Cheng and Dr. Ahn who are skilled, smart and seasoned. Grace, too, believed him.

**E. The Significance of Cultural Influences.**

Throughout this memorandum we have observed that Grace Hong obeyed and did not question directions from her husband even when doing so meant that she sometimes made misrepresentations that broke the law. This observation is at odds with the background information we have provided the Court which describes Grace's deep faith and commitment to helping others. Discussions with Grace, her mother and our independent research has helped us understand how such diverse happenings can co-exist.

Attached for the Court's consideration are two articles[3] authored by Asian-American women, which address endemic gender inequality in Asian cultures and the impact of embedded inequality in conflicts arising in the American legal system. The articles are robust and deserve a read, but their import as relates to Grace's sentencing is summarized here.

The article in the *Cardozo Journal of Conflict Resolution* begins:

> The old Korean proverb—"if the hen crows, the home is in ruins"—reflects a traditional notion in Korean society: a female who deviates from her socially prescribed role causes disharmony in the social

[3] Giyan An, *Enhancing the Effectiveness of Mediation in Korean-American Family Disputes: Cultural Sensitivity Training for Mediators and CO-Mediation Teams*, 11 CARDOZO J. CONFLICT RESOL. 557 (2010), https://heinonline.org/HOL/Page?handle=hein.journals/cardcore11&div=18&g_sent=1&casa_token=&collection=journals; Juliet Y. Mun, THE IMPACT OF CONFUCIANISM ON GENDER (IN)EQUALITY IN ASIA,16 GEO. J. GENDER & L., 633, 634, https://heinonline.org/HOL/Page?handle=hein.journals/grggenl16&div=29&g_sent=1&casa_token=&collection=journals.



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> order. The proverb originates from Confucianism — the philosophy that has guided Korea since the fourteenth century — and that continues to have relevance in contemporary Korean communities.

The article goes on to observe that, because of Korea's long-standing relationship to Confucianism, "Koreans were not raised under the theory of 'equality,' but rather under the natural hierarchy established by Confucianism, in which women are placed at the bottom." *Id.* at 563.

The verb "were" should not be read to mean that hierarchy of inequality is in the past. "Societal values and the role of women are still deeply rooted in Confucianism, which continues to govern Korean society today." *Id.* at 562. Indeed, "[e]ven today, Confucian ideologies are taught at all levels of schooling in Korea." *Id.* Korean women, the author observes, "want to live up to the Confucian ideal image . . . as being a sacrificial mother and a submissive wife[.]" *Id.* at 563.

These startling observations are ratified in the Georgetown Journal of Gender and the Law article where the author notes:

> In Confucianism, women must follow "the role of the three-fold obedience," which means they must practice "obedience to the father in childhood, to the husband in marriage, and to the son in old age."

The end result of Korean society's centuries old relationship with Confucianism has been solidification of a "permanent inequality in the relationship between men and women in Korean society." *Id.* at 635. In practice, "the basic manner of being subordinate and inferior is to be loyal and to obey the superior." *Id.* at 638. This centuries old command and ideal of unquestioned inferiority and obedience in Korean marital relationships flies in the face of Western norms. But because we may judge it absurd or even abhorrent does not extinguish its presence, and present it was in the relationship between Grace and her husband.

Grace does not assert a cultural defense as justification for her misconduct. Her many misrepresentations are legally inexcusable. But her failing is more understandable when viewed



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in context with her ingrained, cultural heritage. She obeyed her husband because she felt it her duty and essential to maintaining harmony in the family. Her motivation was not greed or a draw to luxury, as the government would have the Court believe. She believed him when he told her, as he did repeatedly, all investments with him were secure because of the wild success of his money management on behalf of Korean billionaires. Her trust was fortified as she witnessed the likes of Alex Cheng, an experienced and successful investment professional, and Dr. Don Ahn, a sophisticated confidant of her husband, invest in Laurence's ventures. These investors were enticed by Laurence, despite knowing of Laurence's sordid past. Like Grace, they believed in him. And these two especially active investors saw Grace as "the face" or "secretary" in the investment activity—an inferior.

The combination of the evidence and circumstances described above supports an attenuated view of Grace's culpability and justifies punishment consistent with our recommendation, particularly when the known and unknown collateral consequences she will suffer are taken into account.

**F. Collateral Consequences and Additional Sentencing Mitigation**

**1. Family Considerations.**

Grace is ashamed and remorseful for the failings that bring her before the Court. Her regret for the harm she has caused the victims is worsened knowing her faith likely played a role in the suffering of some. But her deepest sorrow is for the peril and uncertain future her children face. Grace is a selfless and devoted mother and she knows she is responsible for the uncertainty her children will wake up to some day soon. She is wracked with guilt and fear.

It is unusual for a sentencing to involve a husband and wife with young children. In such situations, harms to the children can be mitigated by staggering the service of jail sentences. But Grace's imminent deportation and Laurence's custodial status make staggering impractical. The risk of harm to the children resulting from the contemporaneous imprisonment of both parents can be addressed by imposing a non-custodial sentence against Grace.



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The risk of harm to the children of imprisoned parents is real and the subject of a recent wellspring of evidence-based research. Attached is an annotated bibliography of articles on the subject compiled by federal public defenders. Ex. 12. It is offered to illustrate the enormity of the problem. Harm is seen in the domains of behavior, education, health, and hardship and deprivation. Most of the studies involve situations where children are separated from a single parent. Here, a doubly bad scenario is worsened by the specter of the deportation of Grace—the primary caregiver for the three Hong children—and the absence of care-givers in the United States. Laurence's mother is too old and frail. There are no other relatives in the United States. Obstacles to the immigration to South Korea of children unaccompanied by a parent abound and are difficult to address. Concern for the children underlies our hope the Court will consider a non-custodial penalty.

No one knows better than Grace that her criminal acts are the reason her children are at risk. But the same is true in countless cases where sentencing judges have taken into account family responsibilities when compassionately mitigating punishment. Some reported examples include: *U.S. v. R.V.*, 157 F.Supp.3d 207, 255-260 (E.D.N.Y. 2016) (Weinstein, J.) (Downward departure sentence of time-served five days in prison and seven years of strict supervised release with medical treatment was warranted for defendant who pled guilty to possession of child pornography in part because defendant was father to three young children who would be severely adversely affected if he was incarcerated, there was no evidence his children were abused, doctor believed children would be negatively affected if separated from defendant); *U.S. v. Lehmann*, 513 F.3d 805 (8th Cir. 2008) (where defendant convicted of felon in possession and where guidelines 37-46 months, district court's granting of downward departure or variance to probation with 6 months in half-way house proper after Gall, because of devastating effect mother's imprisonment would have on defendant's 8-year old son who was already suffering from trauma of accidental death of his sister who found and discharged the firearm); *U.S. v. Chambers*, 885 F. Supp. 12, 14 (D.D.C. 1995) (defendant is a single mother with two children



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ages 12 and 15, incarcerating defendant for 15 years would deprived children of sole parent "that children need supportive and loving parents to avoid the perils of life is without question . . . causing needless suffering of young, innocent children does not promote the ends of justice"); *U.S. v. Hammond*, 37 F.Supp.2d 204 (E.D.N.Y. 1999) ("A sentence without a downward departure would contribute to the needless suffering of young, innocent children.").

Such sentencing decisions necessarily involve a court's judgment that other sentencing purposes are not compromised by leniency. Here, there can be no doubt that Grace has been and will forever be deterred. Similarly, there is no reason to believe public safety will be compromised. This unlikely first-time offender will be deported. And we respectfully believe that punishment necessary to reflect the seriousness of the offense is accounted for given her shame, her loss of legal status in the United States, uncertainty over the future of her children, fifteen-plus months of electronically monitored home confinement, and a life-long obligation to pay restitution.

**2. Deportation and Conditions of Confinement as Non-Citizen**

Grace will be deported as a result of her conviction. This "drastic" consequence is deserving of consideration by the Court when fashioning its sentence. The significance of deportation was neatly summarized by the Supreme Court in *Padilla v. Kentucky*, 130 S. Ct. 1473 (2010), where the Court observed, the "drastic measure of deportation or removal is now virtually inevitable for a vast number of noncitizens convicted of crimes. . . . These changes in our immigration law have dramatically raised the stakes of a noncitizen's criminal conviction . . . [and] confirm our view that, as a matter of federal law, deportation is an integral part—indeed, sometimes the most important part of the penalty that may be imposed on noncitizen defendants who plead guilty to specified crimes." *Id.* at 1481-82.

This punishment falls with special force on Grace whose move to the United States was induced under false pretenses by the man she fell in love with. A measure of her faith in him was her quick decision to obtain permanent resident status. She bore him three children and looked



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forward to raising and schooling them in the United States. That dream will never be realized. Its loss is worthy of sentencing compassion and has, of course, provided the basis for downward variances from Guideline advice in scores of cases. *See, e.g.*, *United States v. Thavaraja*, 740 F.3d 253 (2d Cir. 2014) (impact and uncertainties of deportation for defendant and his family can be considered to assure sentence is "sufficient, but not greater than necessary"); *United States v. Biheiri*, 356 F. Supp. 2d 589 (E.D. Va. 2005) (citing inevitability of deportation as a reason for varying downward); *United States v. Villannueva*, 2007 WL 4410378 (E.D. Wis. 2007) (varying down 24 months in part because of deportation and separation from family).

Indeed, the conditions of imprisonment that a noncitizen suffers, as compared with a citizen, provide a separate, stand-alone basis for sentencing relief. *See, e.g.*, *United States v. Navarro-Diaz*, 420 F.3d. 581 (6th Cir. 2005) (ineligibility for halfway house placement is a pertinent sentencing consideration); *United States v. Pacheco-Soto*, 386 F.Supp.2d 1198 (D. N.M. 2005) (departure based on ineligibility for early release, minimum security prison and credit for participation in residential drug or alcohol treatment programs approved); *United States v. Davoudi*, 172 F.3d. 1130 (9th Cir. 1999) (ineligibility for halfway house can justify downward departure).

The holding in *Padilla*, which formalized the requirement of advising noncitizens of the possibility of deportation when entering a guilty plea, was founded on recognition that "the seriousness of deportation as a consequence of a criminal plea, and the concomitant impact of deportation on families living lawfully in this country demand no less." 130 S. Ct. at 1486. That "concomitant impact" on Grace's children is her central concern.

**3. Electronic Monitoring.**

Grace first appeared in this matter on June 3, 2017, and on June 6, 2017 she was released by Magistrate Judge Mary Alice Theiler following a detention hearing. Release was conditioned upon Pretrial Services ("PTS") supervision and Grace's wearing an electronic monitoring device. Grace has not presented problems while on supervision and has earned increased latitude in



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conducting affairs and attending family functions. Under PTS guidelines, Grace has for many months been eligible for a recommendation to remove the electronic monitor. The government has refused to agree to removal of the ankle bracelet and it has not been removed. Because electronic monitoring is a restraint on liberty, it is proper for the Court to give credit for enduring that restraint through a reduced sentence. *See, e.g.*, *United States v. Miller*, 991 F.2d 552, 554 (9th Cir. 1993); *United States v. Romualdi*, 101 F. 3d 971 (3d Cir. 1996).

**4. The Risk of Extortion in Korea.**

As noted in the discussion above, *supra* Section D(2)(a), Allen Choi told the FBI he intends to file charges against Grace in Korea. The purpose, he told the FBI, is to extort Grace Hong's parents. Or as reported by the FBI, Choi said it is common for families to settle with the claimant when the charges are filed, after which the charges are dropped. Choi is "hopeful" Grace's family will settle with him.

Counsel has no experience with this sort of threat. It is all the more troubling because if actualized, it would happen in Korea, outside the reach of assistance from counsel. And Choi, who himself withheld pertinent information from investors in the business he established with Laurence Hong, appears capable of turning to extortion to line his pockets.

It is difficult to discern how to deal with this threat. But it is a potential harm to Grace and her family and is an ongoing source of anxiety for Grace. We respectfully believe its existence adds some weight to our recommendation.

**G. Guideline Considerations.**

**1. Guideline Calculations and Objections.**

The Probation Department has calculated the total offense level ("TOL") as 34. We believe the TOL is properly set at 30. We differ with Probation on its inclusion of two levels under USSG § 2B1.1(9)(A) and (C), which is in play where a defendant was acting on behalf of a charitable or religious organization. We further object to its assessing a two level adjustment under USSG § 3B1.3, the abuse of trust adjustment.



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We concur with and join the analysis of counsel for Laurence in making our objections. As to USSG § 2B1.1(9)(A), the Hongs received investments from people of faith and the Hongs frequently stated their independent hope to use personal earnings to further missionary activities. But they never acted on behalf of a religious or charitable organization and never pretended they were. Investments were made for personal gain.

As to the abuse of trust adjustment, the same logic applies. However, here Grace did represent to investors that she had a license to trade, which was not true. This misstatement, we believe, is an element of the crime and should not a basis for an abuse of trust adjustment.

If we are correct on both counts, the TOL is 30 and the recommended range for Grace, who has no criminal record, is 97-121 months. If the Court finds the TOL to be 32, the range is 121-152 months and if the Court finds the TOL to be 34, the range is as reported by Probation, 151-188 months. The government offers a more aggressive calculation.

**2. Authority to Depart.**

It is well-settled that the Court is not bound by strict adherence to the Sentencing Guidelines. Rather, it is afforded wide latitude to impose a sentence that is "sufficient, but not greater than necessary" to promote sentencing goals established and codified by Congress. 18 U.S.C. § 3553(a); *United States v. Booker*, 543 U.S. 220, 245 (2005). Indeed, it is the district court's duty to "make its own reasonable application of the § 3553(a) factors, and to reject (after due consideration) the advice of the Guidelines" if they are inconsistent with the sentencing court's determination of what the appropriate sentence ought to be. *Kimbrough v. United States*, 552 U.S. 85, 113 (2007) (Scalia, J., concurring); *see also Irizarry v. United States*, 553 U.S. 708, 714 (2008) ("[A] sentence outside the Guidelines carries no presumption of unreasonableness[.]"). Perhaps most importantly, "[t]he United States Sentencing Guidelines do not require a judge to leave compassion and common sense at the door to the courtroom." *United States v. Johnson*, 964 F.2d 124, 125 (2d Cir. 1992).



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These general principles are especially relevant in the realm of white collar fraud cases. Courts have repeatedly observed that the fraud guidelines, with their multiple, overlapping enhancements and over-reliance on loss as a proxy for culpability, can produce sentencing ranges that are "patently absurd," *United States v. Johnson*, 2018 WL 199795 (E.D.N.Y. Apr. 27, 2018); *United States v. Adelson*, 441 F. Supp. 2d 506, 515 (S.D.N.Y. 2006), or "draconian," *United States v. Parris*, 573 F. Supp. 2d. 744, 750 (E.D.N.Y. 2008).

But as observed by U.S. District Court Judge Jed S. Rakoff, "even after *Booker*, the very first thing a judge is still required to do at sentencing is to calculate the guideline range, and that creates a kind of psychological presumption from which most judges are hesitant to deviate too far." Jed S. Rakoff, *Why the Federal Sentencing Guidelines Should be Scrapped*, CRIM. JUST. 26, 29 (Winter, 2014).

To be sure, our recommendation of not more than two years is likely to provoke psychological hesitance. But as Judge Rakoff offered when speaking as a Judge, not as a guideline critic, where guideline calculations have run amok, "a Court is forced to place greater reliance on the more general considerations set forth in § 3553(a), as carefully applied to the particular circumstances of the case and the human being who will bear the consequences." *Adelson*, 441 F. Supp. 2d at 515.

Judge Rakoff's observations are particularly apt in Grace's case where her misrepresentations and misappropriations were directed by her husband to whom she had vowed obedience, a covenant not easily ignored given her deep faith and the strict hierarchical tenets of her culture and upbringing. These mitigating factors, coupled with the unusually drastic impacts of imprisonment for her, support a significant variance from the draconian advisory sentencing range.

Judges have forcefully and frequently exercised their discretion to sentence far below the advisory guideline range when the courts deem guideline advice unreasonable. *See, e.g.*, *United States v. Howick*, 263 F.3d 1056, 1062 (9th Cir., 2001) (imposing a sentence of 24 months'



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imprisonment, rather than Guidelines range of 97 to 121 months' imprisonment due to $80 million loss calculation where the "[o]ffense level overstate[d] the seriousness of the offense"); *United States v. Ferguson*, No. 14-cr-102 (N.D. Ill. Feb. 7, 2017) (sentencing defendant to 36 months in prison where Guidelines range was 121-151 months for $97 million fraud); *United States v. Horsky*, No. 16-cr-00224 (E.D. Va. Feb. 10, 2017) (sentencing defendant to 7 months in prison where fraud was $15 million); *United States v. Coscia*, No. 14-cr-20 (E.D. Ky. Aug. 31, 2017) (sentencing defendant to 36 months in $48 million fraud case where Guidelines range was 70-87 months); *United States v. Caspersen*, No. 16-cr-414 (S.D.N.Y. Nov. 16, 2016) (defendant sentenced in $95 million fraud case to 48 months in prison where Guideline range was 151+-188 months and the only mitigating evidence was the defendant's gambling problem); *United States v. White*, No. 13-cr-101 (E.D. La. 2016) (sentencing the defendant to 48 months in a $50 million fraud scheme where the Guidelines range was 78-97 months); *United States v. Gray*, No. 15-cr-00297 (S.D.N.Y 2015) (24-month sentence appropriate where Guidelines range was 78-97 months and loss amount was $5 million).

These cases, and many more, evidence the commitment of judges to the mandate that punishment be "sufficient but not greater than necessary," especially in fraud case where individual circumstance are easily overshadowed by the Guideline arithmetic. 18 U.S.C. § 3553(a).

**3. Uniformity.**

The Court has asked the parties and probation to provide information on sentences imposed in like cases in this District. The Probation Department attached the same list of cases to both pre-sentence reports. The list is composed of six significant fraud cases and the sentences reported were **all imposed against the leaders or sole perpetrators** of the listed frauds. Given the decidedly and irrefutably different levels of culpability between Laurence and Grace, the Probation Department's submission is unresponsive to the Court's request and unhelpful. It might bear relevance to Laurence's sentence, but not Grace's. Nonetheless, the Probation



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Department uses the list of sentences imposed against the leaders as the baseline for its recommendation of 7 years' imprisonment for Grace. As a result, the Probation Department's recommendation is, we believe, much too high.

As shown in Section F(2), *supra*, courts throughout the country are not reluctant to depart substantially from Guideline recommendations in fraud prosecutions—even when victims are many and the loss monumental. In this District, too, judges are not slow to impose sentences substantially lower than those in the fraud cases reported by the Probation Department where circumstances and sentencing purposes support a significant variance. The chart below captures a few examples.



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| Case | Conviction | Loss Amount | Guideline Range | Sentence Imposed |
|---|---|---|---|---|
| **Jeffrey Greenstein**<br>*United States v. Krane et al.*<br>(CR08-296RSM)<br>Chief Executive Officer of Quandra Capital Management LP | "One of the largest tax evasion scams in U.S. history."<br>Plead guilty to one count of conspiracy to defraud the United States and one count of aiding and assisting in the filing of a false return. | $240 million<br>No restitution ordered by the court - victim was IRS. | **135-168 Months** | **50 Months** |
| **Charles H. Wilk**<br>*United States v. Krane et al.*<br>(CR08-296RSM)<br>Principal of Quandra Capital Management LP | Pled guilty to one count of conspiracy to defraud the United States and one count of aiding and assisting in the filing of a false return. | $240 million<br>No restitution ordered by the court - victim was IRS. | **135-168 Months** | **50 Months** |
| **Vladislav Baydovskiy**<br>*United States v. Baydovskiy*<br>(CR09-84MJP)<br>Mortgage broker | Pled guilty to conspiracy to commit bank fraud, mail fraud, wire fraud and also willfully making and subscribing a U.S. Income Tax Return which he knew contained false information as to a material matter. | In excess of $2.5 million but not greater than $7 million.<br>Court ordered $2,136,420.06 in restitution.<br>To be paid jointly and severally. | **70-87 Months** | **60 Months** |



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| Case | Conviction | Loss Amount | Guideline Range | Sentence Imposed |
|---|---|---|---|---|
| **Viktor Kobzar**<br>*United States v. Kobzar*<br>(CR09-084MJP)<br>Mortgage broker business operator. | Pled guilty to conspiracy to commit bank fraud, mail fraud, wire fraud and also willfully making and subscribing a U.S. Income Tax Return which he knew contained false information as to a material matter. | In excess of $2.5 million but not greater than $7 million.<br>Court ordered $2,136,420.06 in restitution.<br>To be paid jointly and severally. | **70-87 Months.** | **60 Months** |
| **William Anderson**<br>*United States v. Anderson et al.*<br>(CR08-0212RAJ)<br>Owner and controller of company used to obtain mortgage loans under false pretenses. | Pled guilty to conspiracy to commit wire fraud. | $3.4 million<br>Government withdrew its request for restitution. | Filed under seal<br>**108-135 Months***<br>*Based on Offense Level 31 & CHC 1 | **60 Months** |
| **Lobsang Dargey**<br>*United States v. Dargey*<br>(CR17-1RSL)<br>President and CEO of Path America perpetrated massive fraud related to ETS-5 immigration program. | Pled guilty to conspiracy to commit wire fraud. | $24+ million | **135-168 Months** | **48 Months** |

These cases, while significant in demonstrating aggressive departures from the Guidelines are important to assure just outcomes, a principle clearly embraced by our Court, none are remotely similar to Grace Hong's. Some loss amounts were higher, others lower and all defendants were leaders in the fraudulent activity. None present the extenuating circumstances and significant collateral consequences extant in this case. But the sentence imposed in *United States v. Renfrow*, CR 16-269-TSZ (W.D. Wash. 2016), offers remarkable similarities. Because Your Honor presided, we will not dwell on the facts, but some deserve notice.



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Ms. Renfrow was prosecuted with her more culpable husband, Mark Spangler. She was a professional investor and the vice president of her husband's investment group. She knew that group was involved in an elaborate Ponzi scheme and she was actively involved covering up the scheme. In the words of government counsel, "[t]he diversion was egregious, but the cover-up was worse. Ms. Renfrow played a critical role in creating and distributing countless financial documents that not only concealed where the clients' money was invested, but also lied about the performances of Spangler Group's funds. Ms. Renfrow systematically reported that these funds were readily appreciating in value despite being aware that they were primarily invested in TeraHop, a company that lost over fifty million dollars and generated only $70,000." Government's Sentencing Memorandum, Dkt. No. 21 at 3. She "was a direct participant in the Ponzi scheme," "she misled clients with fraudulent financial statements," and she "covered up the fact that the Spangler Group was a failure." *Id.* at 4. The loss was in excess of $4 million and her Guideline range was 70-87 months. She came from a good background and was a good person who had never before been in trouble. In mitigation, and to explain her criminal activity, her counsel noted her misguided reliance on and love for her husband. Defendant's Sentencing Memorandum, Dkt. No. 22 at 1-3. The Court imposed a sentence of 2 years.

Our recommendation is on all fours with the sentence imposed in the *Renfrow* matter. The loss here, driven by the investments of Cheng, Dr. Ahn and Choi, is greater, but the extenuating circumstances and collateral consequences that Grace will suffer did not exist in *Renfrow*. Those additional punishments drive our hope that the Court is open to the possibility of a non-custodial sentence. The sentence in *Renfrow* and the principle of uniformity support a similar, if not shorter sentence for Grace Hong.

## V. CONCLUSION

There are no winners in this case. Losses for many of the victims have produced unforeseen hardships and drastically altered lives. Grace Hong regrets and is profoundly sorry for her involvement in causing that harm. *See* Ex. 13. She is prepared to accept the Court's



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punishment for her wrongs. On her behalf, counsel respectfully urge the Court to accept our recommendation.

DATED September 28, 2018

By: s/ *Thomas W. Hillier, II*

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Attorneys for Defendant Hyun Joo Grace Hong

**CERTIFICATE OF SERVICE**

This is to certify that I have this day electronically filed the foregoing Defendant Hyun Joo Hong's Sentencing Recommendation with the Clerk of Court using the CM/EFC system which will automatically send email notifications of such filing to all counsel of record in this matter.

**I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.**

EXECUTED at Seattle, Washington, on September 28, 2018.

s/ *Erin J. Weinkauf*
Erin J. Weinkauf, Legal Secretary



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# Exhibit 1

**498a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Sat, Sep 19, 2009 at 4:41 PM
Subject: Hi Grace
To: hjcla002j@gmail.com

How was dinner with your friend last night?

Here are some photos of me. The one that I am wearing a brown blazer is four years old.

Like I said,I hope you're content with what you're seeing.~~

I also included my house that I designed.

**500a**

BALLYS
BALLYS

**502a**

**503a**

**504a**

**505a**

**506a**

# Exhibit 2

**508a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Mon, Sep 21, 2009 at 1:37 PM
Subject: Hi Grace
To: hjcla002i@gmail.com

How are you ?

Did you have good workout after our talk last night? Since it was raining, I hope you did not catch a cold coming out of the gym.

I can't believe we talked so much on the phone that both of our phones went dead.~~

Personally this incident never happened to me since college. Thanks for bringing back

old memories.

The market just got over so I am about to head out of my office. The weather here is about 82

degrees so I might get out on the water again.

For me,the fact that I could share with you all my ambitions in life last night on the phone was

trully amazing.

I really thank God for letting me meet you through K.C.~~ And I also thank you for being that special

person in my life that I am able to share all my dreams and plans with.

Believe me,I know my ambitions can scare or burden certain women. I am just betting that you

can somehow not only handle it but get me there more effectively.

Let me conquer all my dreams and I will promise to provdide you with all the Prado's that I can bring from China.^^

I am going to attach for you the song that the club owner talked about remember?

I reallly think it would be funny if it was sung in Korean.

I know you're in your beauty sleep right now so I won't call you eventhough I want to hear your voice. Consider yourself lucky that I am such a easy going employer.~~~

# Exhibit 3

**511a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Sun, Sep 27, 2009 at 2:02 AM
Subject: Hi Grace
To: hjcla002i@gmail.com

Hey,

How was church? I hope the pastors' sermon touched your spiritual side and gave you peace.

After our brief phone call, I was writing e-mails to all my associates and friends in Korea.

I am so addicted to talking to you that I just could not resist writing you this letter.

Seriously,I am so grateful to have you in my life. After spending countless hours on the phone

with you certain things are clear in my mind.

First,if one refuse to settle and pursue his or her quest of looking for the"right one"it's matter of time before one finds what they were searching for in a person.

Second,I really gave my best in order to create a life style that most people can't even dream

about. The only thing that was missing was a partner that can not only fill the blank spot in the picture but enhance it. Not to burden you,but I am willing to bet that you really have the qualities

in a person that can make me feel trully blessed.

I know I will have infinite number of times to thank you for making me feel blessed but I thought

I should say thanks now in advance for all the times that you're going to make feel that way.

So the only thing left to do now is for you to get your JD and be an instrumental figure in running a family charitable trust. After that, I will dip down to hell and back if that's what it takes for you

to become a Unicef Ambassador. And at the end of the day,I will always tell you that I am your

number one fan from your side and never in front of you.

I wish December would come quickly so I can have you looking totally swagged out in your new Prado and Gocci outfits.^^ Just listen to this song I am sending you. This is what we will be doing

at the knock off boutiques when you get here.~~

# Exhibit 4

**514a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Tue, Nov 17, 2009 at 5:34 PM
Subject: Are you okay?
To: hjcla002i@gmail.com

Hi Honey,

I hope you're not too sick. The thought of catching a cold in Korea scares me.

I really got it bad back in 06'. I literally thought I was going to die or something.

Try drinking lots of fluid and popping vitamin c's. You know I would take care of you if I was there.^^ I really hope that you can kick your cold before coming to Seattle. We have lots of things

to do next month.

After meeting the pastor this afternoon,once again,I am just blown away about what God has in

store for our future. I feel trully blessed that he put you in my life to share all his blessings together Grace.

These days, I could not even imagine a life without you baby. because of you,I am experiencing

what true happiness is. I wouldn't trade what we have for anything else in this world.

I just want you to know that I will always Love and cherish you till end of time.

I Love you,

Laurence

# Exhibit 5

**516a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Wed, Dec 30, 2009 at 7:57 PM
Subject: Happy New Year Baby !!
To: hjcla002i@gmail.com

Hi Honey,

I think you're sleeping right now. I know first hand how going to morning service can be so tiring.

Unless one seeks God's presence,I don't think you can go to morning service everyday.

I am so proud and amazed at your dedication toward God and his Word. I feel trully blessed to know that you will be the one to stand next to me in this journey called life. I could not have asked for a better partner than you.

Right before you came into my life,I was wondering if 2009 was going to pass me by without anything dramatic happening in my life. Boy was I wrong. I know in my heart that 2009 or the latter half of it was the beginning of all the blessings that I will be receiving from God.

Eventhough we talk about our relationship on daily basis,not one moment passes me by without just taking my breath away.Because of you, I can testify how generous God is with his blessings toward sinners. I know in my heart that I don't deserve you Grace but I guess God is telling me to be a better man in my life here on earth and give testimony to how great He is.

Thank you for choosing me through all my faults and short comings. I will dedicate rest of my life

trying to prove to you that you made a right choice picking me as your life partner.

I was reading Joel Osteen's book and he mentioned Psalm 84:11.After I read it, I had the strongest conviction to live my life accordingly as the scripture saids. I pray that you and I can follow the scripture to the T.

It just sounded like a flawless blueprint for living fruitfully. I am so grateful that you can help me come closer to God.

So many things will happen in 2010. The best thing about it is that I got a partner to fully enjoy and experience what life has to offer. Because of you,I derive confidence that I did not even know that existed in me. I guess when you have a good woman,a man can achieve great things.

I Love you so much □□□,

□□,

# Exhibit 6

**519a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Sun, Jan 10, 2010 at 9:28 PM
Subject: Hi baby
To: hjcla002i@gmail.com

here's the acct number

KEB

650-005993-181

koexkrse swift code

It's a dollar account under my mom's name Hong Hyo Soon.

I will call you soon.

# Exhibit 7

**521a**

---------- Forwarded message ----------
From: **Sung Hong** <hhgroup71@yahoo.com>
Date: Tue, Jan 12, 2010 at 6:34 PM
Subject: Hi Grace
To: hjcla002i@gmail.com

I just wanted to say that I am very proud of you to come forward and really grab destiny into your own hands. I know a lot of people can talk up a good game but many follow through because of their complacency.

I am just so overwhelmed at your confidence and desire to succeed and really take this opportunity to our life mission.

I am at my mom's house and I was going through my old books and one of my favorite people in the world is Sir Winston Churchill. I think he's one of the rare individuals that will push forward and really go after what he feels is important.

His famous quote came to my mind that reflects upon what you're going through right now.

"An optimist sees opportunity in every calamity,a pessimist sees calamity in every opportunity"

This quote can't be anymore true than the times that we are living in right now.
I believe the road map is drawn out for us Honey. Let's just get to our destination.
Just remember,I will be always be right behind you to support and comfort you. And if you shall fall or stumble,don't worry,there will be a BIG cushion for you to fall on.^^
I love you with everything that I got Grace,
Laurence oppa

# Exhibit 8

523a

공증인가 법무법인 사랑
전화:512-5500(代) 512-7504/5(공증실)
FAX:512-5501

[별지 제41호서식]

Registered No. 2018 - 1156

# NOTARIAL CERTIFICATE

SARANG LAW & NOTARY OFFICE INC.

661 Seolleung-ro Gangnam-gu,
Seoul, Korea

210mm X 297mm
보존용지(1종) 70g/㎡

# TRANSACTION RECORDS

**Display No.**: 0000410012 **Classified**: 1 **Date**: As of Jul 26, 2018 **Work:** Transaction Records

**Branch**: Trade Center **Working Date**: Jul 26, 2018 (15:00) **No.**: 16 **Staff No.**: 12607241

| Classified | 1: TRANSACTION RECORDS | Account No. | [redacted] | Inquiry Period | 2011-09-14 ~ 2011-09-19 |
|---|---|---|---|---|---|
| Depositor Name | Lee Byungyong | Product | Shinhan Main Trading Account (Savings account) | | |

| Date | Description | Withdrawn | Deposited | Remarks | Balance | [redacted] | Branch Name |
|---|---|---|---|---|---|---|---|
| 2011-9-14 | Transfer | ₩35,000,000 | | 004. Jung Jung Sook | ₩172,917,717 | | Seoyeoui |
| 2011-9-14 | Transfer | ₩50,000,000 | | 081. Park Mi Ae | ₩122,917,717 | | Seoyeoui |
| 2011-9-14 | Card | ₩255,720 | | Shinhan Card | ₩122,661,997 | | Wonshinhan |
| 2011-9-15 | Transfer | ₩20,500,000 | | 004. Jung Jung Sook | ₩102,161,997 | | Mapojoong |
| 2011-9-16 | Transfer | ₩50,000,000 | | 004. Kim Eun Soon | ₩52,161,997 | | Seoyeoui |
| 2011-9-17 | Interest | | ₩39,666 | 06.18~09.16 | ₩52,201,663 | | Gwanggyoyoung |
| 2011-9-19 | Transfer | ₩41,300,000 | | 004. Kim Eun Soon | ₩10,901,663 | | Seoyeoui |

This is to certify the transaction records in above.

July 26, 2018

Shinhan Bank, Trade Centrer

신한은행

525a

♣보존기간:처리(확인)후 폐기

www.shinhan.com

# 유동성 거래내역조회

화면번호: 0000410012 업무구분: 1 기준일: 2018-07-26 업무명: 거래내역조회

점 명: 무역센터 작성일: 2018-07-26 (15:00) 기 번: 16 직원번호: 12607241

| 업 무 구 분 | 1 : 거래내역조회 | 계 좌 번 호 | [redacted] | 조 회 기 간 | 2011-09-14 ~ 2011-09-19 |
|---|---|---|---|---|---|
| 예금주 성명 | 이병용 | 상 품 명 | 신한 주거래 우대통장(저축예금) | | |

| 거래일자 | 내용 | 찾으신금액 | 맡기신금액 | 비 고 | 잔 액 | 후송 | 마감후 | 키 | 기번 | 점 | 점명 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011-09-14 | 대체 | ₩35,000,000 | | 004.정정숙 | ₩172,917,717 | | | [redacted] | | | 서여의 |
| 2011-09-14 | 대체 | ₩50,000,000 | | 081.박미애 | ₩122,917,717 | | | | | | 서여의 |
| 2011-09-14 | 카드결 | ₩255,720 | | 신한카드 | ₩122,661,997 | | | | | | 원신한 |
| 2011-09-15 | 대체 | ₩20,500,000 | | 004.정정숙 | ₩102,161,997 | | | | | | 마포중 |
| 2011-09-16 | 대체 | ₩50,000,000 | | 004.김은순 | ₩52,161,997 | | | | | | 서여의 |
| 2011-09-17 | 이자 | | ₩39,666 | 06.18~09.16 | ₩52,201,663 | | | | | | 광교영 |
| 2011-09-19 | 대체 | ₩41,300,000 | | 004.김은순 | ₩10,901,663 | | | | | | 서여의 |

위와 같이 거래내역을 확인합니다.

2018년 07월 26일

신 한 은 행 무역센터

신한은행 SHINHAN BANK



1***7241 / 신 * 란 / 2018-07-26 15:06 고객정보 무단 반출시 법적 제재를 받을 수 있으며, 모든 출력물은 모니터링 됩니다.

공증인가 법무법인 사랑
전화:512-5500(代) 512-7504/5(공증실)
FAX:512-5501

[별지 제45호서식]

위 번역문은 원문과 상위없음을 서약합니다.

2018년 07월 30일

서약인 최지원

I swear that the attached translation is true to the original.

Jul. 30, 2018

Signature CHOI. JI WON

등부 2018 년 제 1156호

Registered No. 2018-1156

# 인 증

# Notarial Certificate

위 **최지원**——————— 은(는) 본 공증인의 면전에서 위 번역문이 원문과 상위없음을 확인하고 서명날인 하였다.

CHOI, JI WON——————— personally appeared before me, confirmed that the attached translation is true to the original and subscribed his(her) name.

2018년 07월 30일
이 사무소에서 위 인증한다.

This is hereby attested on this 30th day of Jul. 2018 at this office.

**공증인가 법무법인 사랑**
서울중앙지방검찰청
서울 강남구 선릉로 661

**SARANG LAW & NOTARY OFFICE INC.**
SEOUL CENTRAL DISTRICT PROSECUTOR'S OFFICE
661 Seolleung-ro Gangnam-gu,
Seoul, Korea

공증담당 변호사 김응문

Signature of the Notary Public

김 응 문

KIM EUNG MOON

본 사무소는 인가번호 제9416호에 의거하여 2015년 02월 07일 법무부 장관으로부터 공증인 업무를 행할 것을 인가 받았다.

This office has been authorized by the Minister of Justice, the Republic of Korea, to act as Notary Public Since 7, Feb. 2015 Under Law No.9416.

210mm X 297mm
보존용지(1종) 70g/㎡

# Exhibit 9

**528a**

**From:** LEE, HO BYONG (SE) (FBI)
**To:** MORAN, KATHLEEN M. (SE) (FBI)
**Subject:** Jail calls Jun 17 from Aug 11 --- UNCLASSIFIED
**Date:** Tuesday, September 5, 2017 10:47:42 AM

---

Classification: UNCLASSIFIED
==========

Hello Kate,

During the period, calls between Grace and Lawrence Hong were mostly about porn stories they write to each other, predominantly the ones Grace was instructed to write daily via email. There were two occasions where Mr. Hong blew up over her not picking up calls, threatening to end their relationship but ending up making up as she profusely apologized. Mr. Hong emphasizes staying connected closely and regularly is the key to the survival of their relationship also helping each other relieve sexual desires thorough daily porn series. She appeases him by complying with his demand rather willingly.

Some names came up like John Crolley [PH], Peter [LNU] and David Gerky [INS specialty lawyers] but the details were not discussed.

I have short comments for each call if you want more details.

FYI,

I will be going to South Korea for TDY 9/6-16. I can be reached via UNet if need be.

Thanks,

**Ho Lee**

Korean Language Specialist

Seattle Field Office

Desk: 206[redacted]

Cell: 206-[redacted]

==========
Classification: UNCLASSIFIED

# Exhibit 10

**530a**

**From:** LEE, HO BYONG (SE) (FBI)
**To:** MORAN, KATHLEEN M. (SE) (FBI)
**Subject:** Jail calls from 6.12 thru 16 --- UNCLASSIFIED
**Date:** Friday, June 30, 2017 1:51:16 PM

Classification: UNCLASSIFIED
==========

Katie,

- The conversation topics revolve around Mr. Hong's lovely appreciation of Mrs. Hong, kids and his regrets in listening and adhering to Mrs. Hong and pastors' direction instead of his own decision back in 2014.

- He also mentions the property in Manhattan he and his family will be living after getting out of the prison.

- Mrs. Hong got the Internet at his mom's house and starts to exchange emails with Mr. Hong.

- In several occasion, Mr. Hong tells Mrs. Hong to find an attorney for the INS matter for her.

- On 6/16, Mr. Hong says he was told by his lawyer the loss range is between 9 mil to 13 million dollars, which gets about 20 years, asking her to contact Pastor Michael and to reach out to John Crowley [PH].

- Mrs. Hong tells her husband her lawyer said his sentencing may end up being lighter as there were some "profits," assuring her husband it'll be okay.

That's all for the jail calls. Are we getting more or no more jail calls?

Thanks,

**Ho Lee**

Korean Language Specialist

Seattle Field Office

Desk: 206[redacted]

Cell: 206[redacted]

==========
Classification: UNCLASSIFIED

# Exhibit 11

**532a**

---------- Forwarded message ----------
From: **Don Ahn** <[redacted]>
Date: Tue, Nov 25, 2014 at 5:09 PM
Subject: Thanks
To: "gracelee.hong1@gmail.com" <gracelee.hong1@gmail.com>
Cc: Sung Hong <hhgroup71@yahoo.com>

Hi Grace,
Thanks for your hospitality for us last weekend,
On the behalf of my family, I felt so sorry for
all.
First of all, Jaye didn't know all the story related my investment in details with Lawrence, she was so mad about my aggressive investment using loan against my life insurance cash value without discussion.
Secondly I did not discuss with her about being a buyer with boat mortgage , even though monthly payment has been reimbursed by Lawrence.

Thirdly, She found out Lawrence's X-file via Googling, after verbal fight She spilled over all information to David, Christine. Since then I have been through hell as you guess, then they got fixed image of Lawrence as a swindler and Criminal by FBI no matter what I tried to explain. I really hoped the revelation of Mr. Smironof's legal history and documents that Laurence provide and his explanation would make cleared suspicions at that time, but none worked as we hoped due to her blocked mind set and bad feeling against me as a not communicating husband.

Thanks to your patience and peaceful listening,
may be God's mercy...
After she came back home, we had 5-6 hrs of
conversation, finally Jaye calmed down and felt sorry to you and Lawrence about her action toward to you in Seattle.

Again I definitely feel so embarrassed, and sorry what happened there, and I regret that I made very unusual, and irrational actions with Lawrence in the past without discussing with you and Jaye.

I will do our best to avoid same mistake in the future , I still believe God has led you and Pishon to glorify His Kingdom, will continue pray for Pishon and your family.

Blessings,

Sent from my iPhone

# Exhibit 12

## XXII. Impact of Incarceration on Children, Families, and Societies

A. "It is not the case that [incarcerated parents] were already disengaged from their children's lives. For example, in 2007, approximately half of parents in state prisons were the primary provider of financial support for their children – and nearly had lived with their children prior to incarceration." Melissa Kearney et al., The Hamilton Project, *Ten Economic Facts about Crime and Incarceration in the United States* 14 (2014),

http://www.brookings.edu/~/media/research/files/papers/2014/05/01%20crime%20facts/v8_thp_10crimefacts.pdf .

B. Children with incarcerated fathers are at risk for diminished learning capability and employment prospects into adulthood. "The best evidence produced thus far links paternal incarceration to childhood mental health and behavioral problems, problems that are strongly linked to difficulty in school, trouble finding work, and becoming involved in crime. Paternal incarceration increases behavioral problems by one third to one half a standard deviation and is global in nature, influencing both externalizing behaviors and internalizing behaviors in roughly equal measure. Using conservative estimates and a variety of stringent modeling strategies, we show that the influence of mass incarceration has increased racial disparities in externalizing problems by up to 26% and in internalizing problems by up to 45%." Sara Wakefield & Christopher Wildeman, *Mass Imprisonment and Racial Disparities in Childhood Behavioral Problems*, 10 Criminology & Pub. Pol'y 793, 806 (2011).

C. Sara Wakefield & Christopher Wildeman, Children of the Prison Boom: Mass Incarceration and the Future of American Inequality (2013), as summarized in a blog posting, by Holly Yettick, *Parental Incarceration Has Worsened Disparities Between Black, White Children,* Education Week (Apr. 18, 2014), http://blogs.edweek.org/edweek/inside-school-research/2014/04/a_quarter_of_black_babies.html.

1. "Wakefield and Wildeman write that the five-fold increase in children with incarcerated parents that has occurred since 1980 has largely been fueled by locking up nonviolent offenders who tend to have family ties and histories of employment."

2. "'In most instances,'" Wakefield and Wildeman state, "'the removal of a parent makes a bad situation worse.'"

3. "[C]hildren whose fathers have been incarcerated fare worse than similar children whose fathers have not been locked up. For instance, they have higher rates of problems with mental health and behavior."

4. "[C]hildren with incarcerated parents are also more likely than similar children to end up homeless. Wakefield and Wildeman conclude that the black-white gap in childhood homelessness would have been 26 percent to 65 percent smaller had mass imprisonment never occurred."

5. "[C]hildren of incarcerated fathers are more likely to die before the age of 1. 'According to our estimates,' the authors write, 'the effects of parental incarceration on children's risk of infant mortality are comparable to the effects of maternal smoking on this risk.'"

6. "The prison is not the place to solve problems that have very little to do with crime,' Wakefield and Wildeman conclude. '[W]e do not therefore suggest that putting parenting programs in prison is the way to improve the lives of children with incarcerated parents. . . . Prisons are as ill-equipped to facilitate quality family functioning as they are at tackling serious mental illness or drug addiction.'"

D. "Children of incarcerated parents are more likely to experience financial hardship, residential instability, changes in caregiver arrangements, and trauma associated with the loss of a loved one, all of which may translate into short- and long-term mental and physical health issues, poor academic performance and achievement, substance abuse, and delinquency." Akiva M. Liberman & Jocelyn Fontaine, Urban Institute, *Reducing Harms to Boys and Young Men of Color from Criminal Justice System Involvement* 10 (Feb. 2015), http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000095-Reducing-Harms-to-Boys-and-Young-Men-of-Color-from-Criminal-Justice-System-Involvement.pdf.

E. "[P]arental incarceration leads to an array of cognitive and noncognitive outcomes known to affect children's performance in school, and ... the criminal justice system makes an important contribution to the racial achievement gap." Leila Morsy & Richard Rothstein, Economic Policy Institute, *Mass Incarceration and Children's Outcomes: Criminal Justice Policy is Education Policy* (2016).

F. "[P]arental incarceration is consistently associated with adolescent delinquency" and is "strongly associated with aggressive behavior in both childhood and adolescence." Raymond Swisher & Unique R. Shaw-Smith, *Paternal Incarceration and Adolescent Well-Being: Life Course Contingencies and Other Moderators*, 104 J. Crim. L. & Criminology 929, 956 (2014).

G. "Incarceration breaks up families, the building blocks of our communities and nation. It creates an unstable environment for kids that can have lasting effects on their development and well-being. These challenges can reverberate and multiply in their often low-income neighborhoods, especially if they live in a community where a significant number of residents, particularly men, are in or returning from jail or prison. And different obstacles emerge once parents are released and try to assume their roles as caregivers, employees and neighbors." The Annie E. Casey Foundation, *A Shared Sentence: The Devastating Toll of Parental Incarceration on Kids, Families, and Communities* 1(2016), http://www.aecf.org/m/resourcedoc/aecf-asharedsentence-2016.pdf.

H. "This article presents research on the consequences of mass imprisonment for childhood inequality. I investigate average and race-specific effects of paternal and maternal incarceration on the risk of child homelessness, using data from the Fragile Families and Child Wellbeing Study. The results suggest that (1) recent paternal but not maternal incarceration substantially increases the risk of child homelessness, (2) effects are concentrated among African American children, and (3) increases in familial economic hardship and decreases in access to institutional support explain some of the relationship. Taken together, the findings indicate the prison boom was likely a key driver of the growing racial disparities in child homelessness, increasing black-white inequality in this risk by 65 percent since the 1970s. When coupled with the other effects of mass imprisonment on childhood inequality, these results suggest that the prison boom will likely lead to far greater black-white inequality in civic and political participation, as the children of the prison boom come of age." Christopher Wildeman, *Parental Incarceration, Child Homelessness, and the Invisible Consequences of Mass Imprisonment* (2017), https://pdfs.semanticscholar.org/8fb3/325c477f4b8666ff55f9eb5e85e5125dbe75.pdf.

I. "Children with incarcerated parents are nearly three times as likely to experience health conditions such as depression and anxiety. They are also more likely to have speech and other cognitive delays. These increased risks contribute to an intergenerational cycle of poverty, since any of these problems make it harder for children to succeed in school, which in turn may prevent them from graduating and/or finding a job that pays enough to support their own families—reinforcing hunger across generations." Marylsa Gamblin, *Mass Incarceration: A Major Cause of Hunger*, 35 Briefing Paper, Bread for the World Institute (Feb. 2018), http://bread.org/sites/default/files/downloads/briefing-paper-mass-incarceration-february-2018.pdf?_ga=2.242239426.1909272678.1526001574-1386660582.1526001574.

J. "This report asks and answers the question, what is mass incarceration doing to millions of women who have loved ones behind bars?** Our research concludes that mass incarceration is (1) a direct cause of significant to extreme psychological distress and trauma, and (2) a serious obstacle to the financial health and economic agency of women with incarcerated loved ones." Gina Clayton et al., *Because She's Powerful: The Political Isolation and Resistance of Women with Incarcerated Loved Ones, Essie Justice Group* (2018), https://www.becauseshespowerful.org/wp-content/uploads/2018/05/Essie-Justice-Group_Because-Shes-Power-Report.pdf.

- A University of California-Irvine study "found significant health problems, including behavioral issues, in children of incarcerated parents and also that, for some types of health outcomes, parental incarceration can be more detrimental to a child's well-being than divorce or the death of a parent." Am. Sociological Ass'n, *Parental Incarceration Can Be Worse for a Child than Divorce or Death of a Parent*, Science Daily (Aug. 16, 2014), https://www.sciencedaily.com/releases/2014/08/140816204411.htm.

K. "Not only is parental criminal justice involvement experienced by millions of children, but also it can lead to negative outcomes. A growing body of research indicates that *children often experience trauma, family disruption, and loss of their primary caregiver* as a result of parental incarceration. Approximately 40 percent of children of an incarcerated parent lose a resident parent, and 20 percent of children lose their primary caregiver. As a result, they are at a heightened risk for foster care placement and permanent separation from family members. In addition, they are more likely to live in a household facing economic strain, to experience financial hardship, and to be at risk of homelessness. Losing a parent to incarceration can be particularly traumatic to a child. The children are at risk of a variety of emotional and behavioral problems, such as mental health problems, major depression, and attention disorders. Children of incarcerated parents may also have below-average academic performance and are more likely to fail or drop out of school. They may also face stigma and shame in school. Further, parental incarceration has been shown to be a risk factor for antisocial and delinquent behavior, poor mental health, drug use, school failure, unemployment, and criminal activity." Bryce Peterson, et.al. *Children of Incarcerated Parents Framework Document: Promising Practices, Challenges, and Recommendations for the Field*, Urban Institute (June 2015) (citations omitted)

(emphasis original), https://www.urban.org/sites/default/files/publication/53721/2000256-Children-of-Incarcerated-Parents-Framework-Document.pdf.

L. "This study extended work on the consequences of incarceration for families by linking parents' incarcerations to their material support of children entering adulthood . . . The study confirms that the impact of parental incarceration extends beyond childhood and may disadvantage youths during the transition to adulthood." Sonja E. Siennick, *Parental Incarceration and Intergenerational Transfers to Young Adults*, J. Family Issues (Sept. 15, 2014).

M. "OBJECTIVES: We examined whether residence in neighborhoods with high levels of incarceration is associated with psychiatric morbidity among nonincarcerated community members. METHODS:We linked zip code-linked information on neighborhood prison admissions rates to individual-level data on mental health from the Detroit Neighborhood Health Study (2008-2012), a prospective probability sample of predominantly Black individuals. RESULTS:Controlling for individual- and neighborhood-level risk factors, individuals living in neighborhoods with high prison admission rates were more likely to meet criteria for a current (odds ratio [OR] = 2.9; 95% confidence interval [CI] = 1.7, 5.5) and lifetime (OR = 2.5; 95% CI = 1.4, 4.6) major depressive disorder across the 3 waves of follow-up as well as current (OR = 2.1; 95% CI = 1.0, 4.2) and lifetime (OR = 2.3; 95% CI = 1.2, 4.5) generalized anxiety disorder than were individuals living in neighborhoods with low prison admission rates. These relationships between neighborhood-level incarceration and mental health were comparable for individuals with and without a personal history of incarceration. CONCLUSIONS: Incarceration may exert collateral damage on the mental health of individuals living in high-incarceration neighborhoods, suggesting that the public mental health impact of mass incarceration extends beyond those who are incarcerated." ML Hatezebuehler, et al., *The Collateral Damage of Mass Incarceration: Risk of Psychiatric Morbidity Among Nonincarcerated Residents of High-Incarceration Neighborhoods*, 105 Am. J. Public Health 138 (Jan. 2015).

N. "In this nationally representative study of young adults, we found a consistent association between the incarceration of a mother or father and suboptimal health care use and unhealthy behaviors. Our findings suggest a history of MI (mother incarceration) or FI (father incarceration) is independently associated with activities detrimental to health, including higher levels of ED (emergency department) use, obesogenic behaviors, substance use, and other high-risk behaviors. Adverse health care use patterns and more health-harming behaviors may ultimately contribute to poor health outcomes throughout the life course for young adults with a history of PI (parental incarceration)." Nia Heard-Garris et al., *Health Care Use and Health Behaviors Among Young Adults with History of Parental Incarceration*, 142 Pediatrics 1, 5 (Aug. 2018), http://pediatrics.aappublications.org/content/pediatrics/early/2018/07/05/peds.2017-4314.full.pdf.

# Exhibit 13

Dear Judge Zilly,

Words cannot express the depth of my shame and sorrow for my dishonest behavior and for the harm and hardship I have caused the many people, some of whom were dear friends, who trusted me and invested money with my husband and myself. No waking hour goes by that I do not think about the loss suffered by those people and I am awake much of the time. During these many moments of shame I wonder what I can do to undo what was done or to help in some way. It is painful to realize that I cannot go back and fix this. I can apologize and to every victim I am sorry and I will try for the rest of my life to atone form my failure to you and to my faith.

I apologize to the Court and to the government also. I am a guest in this county where I have been blessed to live. It is with great regret that I realize too late that for your hospitality and generosity I have shown only disrespect by breaking your laws and violating the trust you showed me in permitting my immigration.

My sorrow and shame extends to my family. They are my victims too. My father and mother, out of love and support for my marriage invested hundreds of thousands of dollars with my husband and lost it all. That loss is important but does not compare with the shame I have caused my parents and the disappointment they feel because of the conduct of a trusted daughter who they raised and fed and sheltered and educated and above all, who they loved and provided good guidance. I have broken their hearts and unsettled the stability of my family. My parents are not young. I pray I will be able to help them as they get older—if they will let me. The pain I feel for my parents allows me to understand how deeply I have hurt the other investors who I do not know like my parents but who are also devastated I am sure.

I apologize to my children who are too young to understand what is happening but will suffer when I go to prison. Thoughts of their fear and sorrow and the fact that I have caused that fear and sorrow are more than I can bear and are why, Your Honor, I began this apology with a phrase you probably hear many times—"words cannot express". I cannot express how badly I feel, especially when I think of my children who are also victims of my misconduct. I pray I will earn their forgiveness some day. I do not deserve forgiveness from the victims but I am sorry and will be for the rest of my life and I pray that God will bless in His way everyone I have hurt.

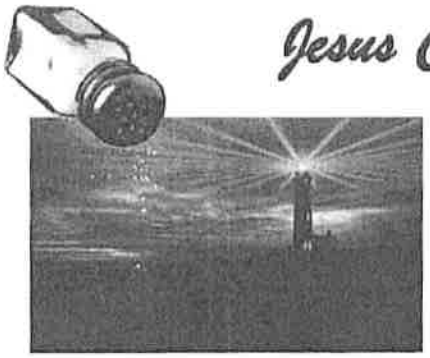
Sincerely,

9/27/18

Hyun Joo Hong

# Exhibit 14

**542a**



# Jesus Christ Salt and Light Company

21400 International Blvd. Ste. 105
Sea Tac, WA 98198 USA
Phone: 206 [redacted]
Email: [redacted]
Website: jcslcompany.org

March 22, 2018

To: Honorable Thomas S. Zilly

Re: Letter for Hyun Joo Hong (aka Grace Hong)

Dear Judge Zilly;

My name is Jerod Theckston. I am a pastor and missionary serving with a community of Jesus followers in SeaTac, Washington. I was introduced to the Hong's this past January and at the same time to their devastating situation.

Our fellowship has been trying to serve the Hong family's most immediate needs. I am currently going through the process of gaining visiting rights to see Lawrence (Sung) Hong at the Federal Detention Center in SeaTac, WA.

Grace Hong has been very open and forthcoming with us. I know that they have selfishly hurt many people and there must be consequences for that. I do believe that there is a difference between Grace's complicity and that of her husband Lawrence. We have been praying for you and the tremendous responsibility and judgement you carry in this case and sincerely respect that responsibility.

Our only plea is for whatever role mercy is supposed to play in your final decision. We are concerned that it is clear how Grace's failure might be different from that of her husband and that the children, Noah, Sarah and Joseph, will not be lost in the midst of all of this.

We are committed to serve God's purposes with the Hong family for as long as He permits. And as a fellowship, we are committed to pray for you and his counsel for all the critical decisions you will be called to make.

Thank you for your thoughtful consideration . . .

Prayerfully,

Jerod D. Theckston

cc: Attorney Thomas W. Hillier II, Perkins Cole LLP

JDT/j