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4 AT SEATTLE
5 CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
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7 UNITED STATES DISTRICT COURT
8 WESTERN DISTRICT OF WASHINGTON
9 AT SEATTLE

10 UNITED STATES OF AMERICA,
11 Plaintiff,
12 v.
13 ALLEN J CHIU and
14 ANDREW S. CHIU,
15 Defendants.

CR 12

070 RSM

No.
INFORMATION
(Felony)

16 THE UNITED STATES ATTORNEY CHARGES THAT:

17 COUNT 1
18 (Wire Fraud)

19 1. Beginning at a time unknown, but no later than in or about January 2010, and
20 continuing through in or about December 2011, within the Western District of Washington and
21 elsewhere, the defendants, ALLEN J. CHIU and ANDREW S. CHIU, devised and intended to
22 devise a scheme and artifice to defraud, and to obtain money and property by means of
23 materially false and fraudulent pretenses, representations and promises.

24 I. Background.

25 At all times relevant to this Information:

26 2. Defendant, ALLEN J. CHIU, resides in Dallas, Texas. Defendant, ANDREW S.
27 CHIU, resides in Anaheim, California. The two defendants are brothers.

1 3. Nordstrom, Inc. is a retailer headquartered in Seattle, Washington. Nordstrom, in
2 addition to its physical retail stores, also serves customers through its online store at
3 Nordstrom.com. In order to promote online sales, Nordstrom contracts with certain third-party
4 websites, known as "affiliates," to drive traffic to Nordstrom.com. Generally, Nordstrom pays
5 the affiliates a commission based on a percentage of completed sales generated by an affiliate
6 site.

7 4. FatWallet, Inc. is an internet company based in Beloit, Wisconsin. FatWallet runs
8 a membership based shopping community website that promotes various online retailers by
9 providing coupons and other cash-back incentives. FatWallet is one of Nordstrom's affiliate
10 websites. At times relevant to this Information, Nordstrom paid FatWallet approximately 7% of
11 the total amount of purchases made by FatWallet members at Nordstrom.com. FatWallet, in
12 turn, paid a portion of this commission, approximately 3.5% of the purchase price, to the
13 individual FatWallet member who made the Nordstrom.com purchase.

14 5. Both ALLEN CHIU and ANDREW CHIU were members of FatWallet.com.

15 **II. Essence of the Scheme and Artifice.**

16 6. The essence of the scheme and artifice to defraud was for ALLEN CHIU and
17 ANDREW CHIU to obtain undeserved cash-back awards for themselves from Nordstrom by
18 making false and fraudulent purchases on Nordstrom.com, knowing that they would not have to
19 pay for any such purchases and never intending to pay for any such purchases. As a result of
20 their scheme and artifice to defraud, ALLEN CHIU and ANDREW CHIU collectively caused
21 approximately \$1.4 million in loss to Nordstrom.

22 **III. Manner and Means of the Scheme and Artifice to Defraud.**

23 7. It was a part of the scheme and artifice to defraud that in or about October 2008,
24 both ALLEN CHIU and ANDREW CHIU were informed by Nordstrom that their online
25 shopping privileges at Nordstrom.com would be terminated because of their excessive claims for
26 refunds purportedly due to lost or undelivered merchandise.

1 8. It was further a part of the scheme and artifice to defraud that in spite of being
2 notified that their business was no longer welcome at Nordstrom, both ALLEN CHIU and
3 ANDREW CHIU continued to attempt to place orders at Nordstrom.com.

4 9. It was further a part of the scheme and artifice to defraud that in or about January
5 2010, both ALLEN CHIU and ANDREW CHIU discovered that all purchases they attempted on
6 Nordstrom.com were automatically denied at the final point of sale. As a result, no merchandise
7 was ever shipped to ALLEN CHIU or ANDREW CHIU, and none of the credit cards they
8 submitted for the attempted purchases were ever charged.

9 10. It was further a part of the scheme and artifice to defraud that both ALLEN CHIU
10 and ANDREW CHIU also discovered that even though their Nordstrom.com purchases were
11 ultimately blocked, Nordstrom continued to make commission payments to FatWallet based on
12 those blocked purchases and, FatWallet, in turn, continued to credit ALLEN CHIU and
13 ANDREW CHIU with the cash-back awards based on those blocked purchases.

14 11. It was further a part of the scheme and artifice to defraud that ALLEN CHIU and
15 ANDREW CHIU knew that they could only legitimately earn cash-back awards from the online
16 merchants, including Nordstrom, for final, completed sales that were paid for.

17 12. It was further a part of the scheme and artifice to defraud that when ANDREW
18 CHIU and ALLEN CHIU discovered that Nordstrom and FatWallet continued to make cash-
19 back payments for purchases that they knew were never completed, ALLEN CHIU and
20 ANDREW CHIU together submitted tens of millions of dollars worth of fraudulent purchase
21 orders on Nordstrom.com, with no intention of ever paying for such purchases, but solely to
22 generate cash-back awards they knew they did not legitimately earn. Between January 2010 and
23 December 2011, ALLEN CHIU and ANDREW CHIU fraudulently submitted approximately \$23
24 million in purchase orders on Nordstrom.com, and successfully obtained more than \$650,000 in
25 undeserved cash-back payments before their scheme was discovered.

26 13. It was further a part of the scheme and artifice to defraud that as a result of
27 ALLEN CHIU's and ANDREW CHIU's fraudulent orders, Nordstrom suffered losses in the
28 form of commission payments and fees of approximately \$1.4 million.

1 **IV. Execution of the Scheme and Artifice to Defraud.**

2 14. On or about September 8, 2011, at Seattle, Washington, within the Western
3 District of Washington, and elsewhere, having devised the above-described scheme and artifice
4 to defraud, ALLEN CHIU and ANDREW CHIU, for the purpose of executing the aforesaid
5 scheme and artifice to defraud and to obtain money and property by means of false and
6 fraudulent pretenses, representations or promises, and attempting to do so, caused to be
7 transmitted, by wire communications in interstate and foreign commerce, writings, signs, signals,
8 pictures, and sounds, to wit: an internet communication by Nordstrom from Seattle, Washington
9 to its bank, Bank of America, in Richmond, Virginia, authorizing a wire transfer in the amount
10 of \$1,492,524.08 to a third party administrator, a portion of which was for further credit to
11 FatWallet for commission payments.

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

13 **ALLEGATION OF FORFEITURE**

14 15. The allegations contained in Count 1 of this Information are hereby realleged and
15 incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United
16 States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

17 16. Upon conviction of the offense in violation of Title 18, United States Code,
18 Section 1343 set forth in Count 1 of this Information, the defendants, ALLEN CHIU and
19 ANDREW CHIU, shall forfeit to the United States of America, pursuant to Title 18, United
20 States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any
21 property, real or personal, which constitutes or is derived from proceeds traceable to the offense.
22 The property to be forfeited includes, but is not limited to, the following:

23 a. **Seized Assets:** The following funds seized by the United States pursuant to
24 Seizure Warrant MS11-203:

25 i. \$464,852.62, more or less, in U.S. funds, seized from Vanguard
26 Individual Account Number XXXXXXXX2514, held in the name of ALLEN J. CHIU;

27 ii. \$44,532.77, more or less, in U.S. funds, seized from Vanguard
28 Brokerage Services Account Number XXXX6556, held in the name of ALLEN J. CHIU;

1 iii. \$57,345.37, more or less, in U.S. funds, seized from Vanguard Roth
2 IRA Account Number XXXXXXXX1350, held in the name of ALLEN J. CHIU;

3 iv. \$1,190.69, more or less, in U.S. funds, seized from Vanguard
4 Individual Account Number XXXXXXXX1347, held in the name of ANDREW S. CHIU;

5 v. \$306,277.76, more or less, in U.S. funds, seized from Vanguard
6 Brokerage Services Account Number XXXX5899, held in the name of ANDREW S. CHIU;

7 vi. \$39,954.37, more or less, in U.S. funds, seized from Vanguard
8 Individual Account Number XXXXXXXX3721, held in the name of ANDREW S. CHIU;

9 vii. \$24,473.70, more or less, in U.S. funds, seized from Vanguard
10 Brokerage Services Account Number XXXX8220, held in the name of ANDREW S. CHIU;

11 viii. \$5,959.47, more or less, in U.S. funds, seized from Vanguard Roth
12 IRA Account Number XXXXXXXX7418, held in the name of ANDREW S. CHIU; and

13 vix. \$27,224.11, more or less, in U.S. funds, seized from Vanguard
14 Brokerage Services Account Number XXXX3065, held in the name of ANDREW S. CHIU.

15 b. Money Judgment: A sum of money representing the proceeds obtained as a
16 result of the offenses charged on Count 1 of this Information.

17 17. If any of the property described above, as a result of any act or omission
18 of the defendants:

- 19 a. cannot be located upon the exercise of due diligence;
- 20 b. has been transferred or sold to, or deposited with, a third party;
- 21 c. has been placed beyond the jurisdiction of the court;
- 22 d. has been substantially diminished in value; or
- 23 e. has been commingled with other property which cannot be divided without
24 difficulty,

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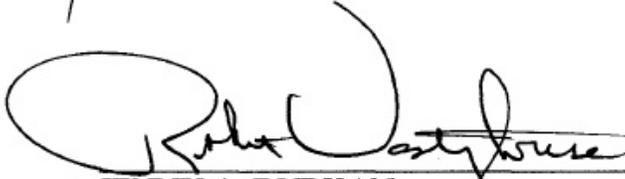
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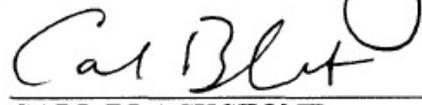
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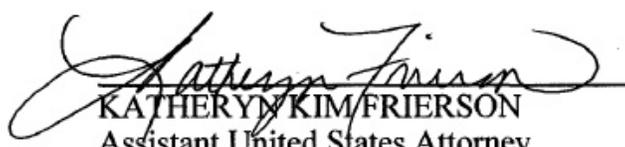
1 the United States of America shall be entitled to forfeiture of substitute property pursuant to
2 Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code,
3 Section 2461(c).

4 All pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c).

5
6 DATED this 14th day of March, 2012.

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10 
11 JENNY A. DURKAN
12 United States Attorney

13 
14 CARL BLACKSTONE
15 Assistant United States Attorney

16 
17 KATHERYN KIM/FRIERSON
18 Assistant United States Attorney

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