PRESS RELEASE

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Federal Grand Jury Indicts Two Brothers For Allegedly Defrauding The Payroll Protection Program

BUFFALO, NY – U.S. Attorney James P. Kennedy, Jr. announced today that a federal grand jury has returned an indictment charging Larry Jordan, 42, of Lancaster, NY, and Sutukh El a/k/a Curtis Jordan a/k/a Hugo Hurt, 38, of Buffalo, NY, with wire and bank fraud conspiracy, bank fraud, and engaging in monetary transactions with criminally derived property, for their alleged participation in a scheme to file fraudulent loan applications seeking nearly $7,000,000 in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The charges carry a maximum penalty of 30 years in prison and a $1,000,000 fine.

“These brothers allegedly stole more than $600,000 which was intended to assist businesses and employees that have been crippled by the pandemic,” noted U.S. Attorney Kennedy. “Their greed in the face of a national crisis has rightly landed them in federal court under indictment. We will investigate and charge anyone who seeks to use emergency federal aid as a way to try to get rich quick.”

The indictment and a previously filed complaint allege that Larry Jordan and Sutukh El conspired to submit at least eight fraudulent loan applications in an attempt to obtain nearly $7,000,000 for their company, 5 Stems Inc. In support of the fraudulent loan applications, Larry Jordan and Sutukh El allegedly made numerous false and misleading statements about the companies’ respective business operations and payroll expenses. In furtherance of their efforts, defendants communicated over text message about some of the fraudulent loan applications. After receiving confirmation that a loan application had been approved, defendant Sutukh El sent texts to Jordan stating: “We really bout to take over the world,” and “Wow, we like Fake Rich.” Jordan replied: “We don’t even have to start paying back for 2 years,” and “Or just show what they ask us to show.” Another text from Sutukh El stated: “We’ll be in the billions by then anyway,” and “But definitely show what needs to be shown and write that (expletive) off!” The indictment and complaint allege that the fraudulent loan applications were supported by fake documents, including falsified federal tax filings. For example, included in one application was a fraudulent IRS filing that appeared to be the company’s 2019 federal unemployment tax return (FUTA) showing that the company paid nearly $3,300,000 in employee wages that year. In reality, the IRS has no record of such a filing. Finally, the brothers are accused of using fraudulently obtained loan proceeds to pay personal expenses, including the purchase of securities, home improvements, and a vehicle. To date, the government has seized more than $400,000 of the more than $600,000 that Larry Jordan and Sutukh El actually obtained through their fraudulent scheme.

The defendants were arraigned today before U.S. Magistrate Judge H. Kenneth Schroeder, Jr., and released on conditions.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29, 2020. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is the authorization of up to $349 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized over $300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses.

This case was investigated by the Federal Deposit Insurance Corporation's Office of Inspector General, under the direction of Inspector General Jay N. Lerner, and Special Agent-in-Charge Patricia Tarasca, New York Region; the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection's Office of the Inspector General, under the direction of Inspector General Mark Bialek, and Acting Special Agent-in-Charge Stephen Donnelly, Eastern Region; the Federal Housing Finance Agency's Office of the Inspector General, under the direction of Inspector General Laura S. Wertheimer, and Special Agent-in-Charge Robert Manchak, Northeast Region; the Federal Bureau of Investigation, Buffalo Division, under the direction of Special Agent-in-Charge Stephen Belongia; and the Small Business Administration's Office of Inspector General, under the direction of Special Agent-in-Charge Amaleka McCall-Brathwaite, Eastern Region. Trial Attorney Della Sentilles of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Charles Kruly and Grace Carducci for the Western District of New York are prosecuting the case.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form.

The fact that a defendant has been charged with a crime is merely an accusation and a defendant is presumed innocent until and unless proven guilty.

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