

PRESS RELEASE

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PEWAUKEE MAN PLEADS GUILTY TO DIRECTING COVID-RELIEF FRAUD SCHEME

Acting U.S. Attorney Richard G. Frohling of the Eastern District of Wisconsin joined Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division and other federal officials in announcing that on February 23, 2021, Thomas Smith (age: 46) of Pewaukee, Wisconsin, pleaded guilty to one count of bank fraud for his role in fraudulently obtaining over \$1 million in Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The announcement of the plea was made jointly with Special Agent in Charge Sharon Johnson of the Small Business Administration's Office of Inspector General (SBA-OIG); Special Agent in Charge Robert Hughes of the FBI's Milwaukee Field Office; Special Agent in Charge John Crawford of the Federal Deposit Insurance Corporation – Office of Inspector General (FDIC-OIG); and Acting Special Agent in Charge Tamera D. Cantu of the IRS Criminal Investigation (CI) Milwaukee Field Office.

As part of his guilty plea, Smith admitted that he fraudulently sought over \$1.2 million in PPP loans through applications to an insured financial institution on behalf of eight different companies. According to his plea agreement, Smith caused fraudulent loan applications to be submitted that made numerous false and misleading statements about the companies' respective payroll expenses. Based on these representations, the financial institution approved and funded over \$1 million in loans. According to plea documents, Smith then directed his co-conspirators to send him portions of the PPP funds within days of receiving them and used the proceeds for personal expenses.

United States District Judge Brett Ludwig scheduled Smith's sentencing for June 2, 2021.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding, and in December 2020, Congress authorized another \$284 billion in additional 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. PPP loan proceeds must be used by businesses 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 SBA-OIG, FBI, FDIC-OIG, and IRS-CI. Trial Attorneys Laura Connelly and Leslie S. Garthwaite of the Criminal Division's Fraud Section and Assistant U.S. Attorney Stephen Ingraham of the Eastern District of Wisconsin are prosecuting the case.

The Fraud Section leads the department's prosecution of fraud schemes that exploit the PPP. In the months since the PPP began, Fraud Section attorneys have prosecuted more than 100 defendants in more than 70 criminal cases. The Fraud Section has also seized

more than \$60 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds. More information can be found at: <https://www.justice.gov/criminal-fraud/ppp-fraud>.

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>.

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