

PRESS RELEASE

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FIVE CHARGED IN CONNECTION WITH COVID-RELIEF FRAUD SCHEME

Matthew D. Krueger, U.S. Attorney for the Eastern District of Wisconsin, joins Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division in announcing five individuals were charged in an indictment based upon their alleged participation in a scheme to file fraudulent loan applications seeking more than \$1.1 million in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Thomas Smith, Stephen Smith, and Robert Hamilton, all of Milwaukee, Wisconsin, and Samuel Davis, Jr., and Jonathan Henley, of Chicago, Illinois were charged in an indictment filed in the Eastern District of Wisconsin with bank fraud and money laundering.

The indictment alleges that the defendants submitted several fraudulent PPP loan applications to a federally insured financial institution and the SBA in the names of businesses with no actual operations or employees. In the applications, the defendants allegedly misrepresented the number of employees and payroll expenses. To support the fraudulent applications, the indictment alleges that the defendants submitted fake tax documents. The indictment alleges that the defendants fraudulently sought over \$1.1 million in PPP loan funds.

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.

An indictment is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by the U.S. SBA's Office of Inspector General (OIG), the FBI, the Federal Deposit Insurance Corporation OIG, and IRS-Criminal Investigation. 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.

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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