

False Claims Act Case Tracker for Paycheck Protection Program Fraud

by Kirk Schuler and Alex Hontos

In the Spring of 2020, the Small Business Association (“SBA”) began administering the Paycheck Protection Program (the “PPP” or the “Program”) to provide SBA-backed loans to help eligible businesses maintain their workforces during the COVID-19 pandemic. The Program received three rounds of funding by Congress over the course of the pandemic and allowed eligible borrowers to receive completely forgivable loans (up to \$10 million in “first draw” loans and up to \$2.5 million in “second draw” loans). When the Program ended on May 31, 2021, the SBA had approved nearly 12 million loans totaling over \$800 billion through over 5,000 lenders.

The funding available through the Program was only an option for certain borrowers and the loans are only forgivable under certain circumstances. To demonstrate they met the eligibility requirements, borrowers were required to provide documentation and signed certifications to the government supporting their applications for the loans. Borrowers are required to do the same on their applications for loan forgiveness. Lenders—acting as intermediaries between the borrower and the SBA—also communicated certifications to the government in order to act as a lender in the Program and thus incurred certain obligations.

Not surprisingly, the borrower and lender communications with the government for the purpose of obtaining government money necessarily created False Claims Act (“FCA”) risk. Also not surprisingly, since the beginning of the COVID-19 pandemic the government has been actively investigating and prosecuting PPP fraud. The first year of the pandemic largely saw the government targeting the low-hanging fruit through criminal cases. DOJ reports over 100 defendants have been charged with crimes related to PPP fraud as of the summer of 2021, with a large amount of these charged in 2020. See *Fraud Section Enforcement Related to the CARES Act*, U.S. Dep’t of Justice, available at <https://www.justice.gov/criminal-fraud/cares-act-fraud>. 2021, however, saw the government’s first use of a familiar tool—civil enforcement actions under the FCA—to target PPP fraud. With the Program over, the government now has the time to conduct more thorough investigations of more sophisticated PPP fraud (rather than reacting

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during the pandemic to the obvious cases of fraud with criminal indictments to deter such fraud in real time). In other words, FCA actions brought by the government are in the offing. So, too, are relator-initiated FCA actions, because it can take months and even years before such cases come to light under the FCA's whistleblower provisions (which require the sealing of the whistleblowers' complaints while the government investigates). In order to catalog and summarize the FCA cases involving PPP fraud as they come to light, and to stay abreast of the latest news in this area for our borrower and lender clients facing FCA risk, we are pleased to provide this resource to track these important cases. We hope you find it useful.

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Date Case Became Public	Date Complaint Filed [and/or Settlement / Judgment]	District	Case Name / Defendant(s)	PPP Loan Amount ¹	Related Documents
01/12/2021	[01/12/2021]	Eastern District of California	Slidebelts, Inc. and CEO	<u>\$350,000</u>	FCA Now Blog Post DOJ Press Release Settlement Agreement
Summary: In a pre-suit settlement agreement, and without admitting liability but stipulating to certain facts, borrower Slidebelts, Inc. and its CEO admitted it submitted false statements regarding the company's eligibility for its PPP loan (falsely representing that it was not presently involved in bankruptcy proceedings), and that such statements caused the SBA to guarantee the loan and pay the lender \$17,500 in loan processing fees. The company returned the loan prior to settling the allegations, and the company and its CEO agreed to pay \$100,000 as part of the settlement. Notably, according to the settlement agreement the settlement amount "represents the amount the United States is willing to accept in compromise of its civil claims arising from the [alleged violations] due solely to the [company and its CEO's] financial condition."					
3/10/2021	3/10/2021	Middle District of Florida	Rucker v. Great	<u>\$2,850,500.00</u>	Complaint

			Dane Petroleum Contractors, Inc.		FCA Now Blog Post
	Summary: On March 10, 2021, Amber Rucker, an employee of Great Dane Petroleum Contractors, Inc. (“Great Dane”), filed a complaint against Great Dane in the Middle District of Florida. Rucker alleged Great Dane violated the anti-retaliation provision of the False Claims Act (31 U.S.C. § 3730(h)) in addition to Florida’s whistleblower protection statutes after Great Dane fired her in retaliation for reporting Great Dane’s alleged violations of PPP loan program. Rucker’s Complaint alleged that while she worked for Great Dane as the CFO’s personal assistant and payroll/human resources manager, she observed Great Dane misuse the \$2,850,500 in PPP money it received violation of the program’s requirements. Specifically, Rucker pleaded that Great Dane “knowingly misus[e]d those monies for purposes unintended by the federal program” while also keeping a fictitious paper trail to feign compliance with PPP’s requirements. Rucker further alleged that she was placed on administrative leave and ultimately terminated after repeatedly reporting these illegal actions to Great Dane’s CFO and president.				
04/21/2021	[04/21/2021]	Eastern District of California	Walia Professional Medical Corporation and Owner	<u>\$283,000</u> (first draw) <u>\$430,000</u> (second, first draw)	DOJ Press Release Settlement Agreement
	Summary: In a pre-suit settlement agreement, and without admitting liability, borrower Sandeep S. Walia, M.D. agreed to pay back all of its second first draw PPP loan with interest (\$434,377) and an additional \$70,000 to settle allegations that the borrower submitted a false claim by applying for a second first draw loan after it had already received a first draw loan of \$283,300 (and by representing, on its second application, that it had not received a prior PPP loan). Notably, the borrower had not sought forgiveness of either loan, but notwithstanding the government alleged the borrower’s false statements caused a false				

	claim to be made to the Small Business Administration as a result of the \$12,900 in processing fees the government paid to the lender for the second loan.				
06/02/2021	06/02/2021	Eastern District of Virginia	KC Investments Group, Inc. and Owner	<u>\$208,333</u> (first draw) <u>\$208,333</u> (second, first draw)	DOJ Press Release
Summary: KC Inc. and Sunu entered into a settlement agreement with the government to settle allegations that KC Investments, Inc. and its sole owner, Sunu P. KC, obtained multiple first draw PPP loans, even though the Program only allowed borrowers to obtain one first draw loan. More specifically, the government alleged Sunu P. KC applied for and received loans in the amount of \$208,333 each for KC Inc. and a defunct company called KC Investments Group, LLC, and that Sunu deposited the proceeds from both loans into KC Inc.'s bank account even though Sunu certified that KC Inc. would not receive multiple PPP loans. Under the settlement agreement, KC Inc. and Sunu agreed to pay \$230,414.65 representing the loan processing fees paid to the bank by the SBA and damages under the FCA. They also agreed to repay the second PPP loan within 30 days of the settlement.					
08/26/2021	07/13/2020 [08/25/2021]	Southern District of Florida	U.S. ex rel. Victoria Hablitzel v. All In Jets, LLC and Seth A. Bernstein	<u>\$1,173,382</u>	DOJ Press Release Settlement Agreement

	Summary: Relator Victoria Hablitzel (“Relator”), a former employee of defendant All In Jets, LLC dba Jet Ready (“Jet Ready”), filed a sealed qui tam complaint on July 13, 2020 alleging that Jet Ready and its principal, defendant Seth A. Bernstein (“Bernstein”), misappropriated and diverted \$98,929 of Jet Ready’s \$1,173,382 PPP loan to pay for Bernstein’s person, non-company related expenses. As part of the settlement agreement between the United States, Relator, and Bernstein (Jet Ready was not a party to the agreement, presumably because Jet Ready filed for bankruptcy shortly after receiving the PPP loan), Bernstein agreed to personally pay the United States \$287,055. Bernstein also agreed that should he fail to pay the settlement amount, a consent judgment may be entered against him for \$458,223 plus interest. From the settlement amount, the United States agreed to pay Relator \$57,411, and Bernstein agreed to pay Relator’s counsel nearly \$80,000 in attorneys’ fees and costs.				
09/22/2021	09/22/2021	Eastern District of New York	Eric Biebe r v. Cayuga Capital Management, LLC, Sea Wolf Services, LLC, Jacob Sacks , and James Wise man	<u>\$411,217</u> (first draw) <u>\$575,704</u> (second draw)	FCA Now Blog Post Complaint
	Summary: Plaintiff filed a retaliation claim against defendants solely under the anti-retaliation provision of the FCA (31 U.S.C. § 3730(h)), alleging defendants terminated his employment for complaining to management that Sea Wolf Services, LLC unlawfully spent its PPP loan proceeds to pay defendants’ friends, family, and business associates.				

10/28/ 2021	[9/29/2021]	Southern District of Florida	Sexta nt Marin e Cons ulting, LLC	\$150, 000.0 0 (first draw) \$169, 811.0 0 (seco nd, first draw)	<u>DOJ Press Release</u> <u>Settlement Agreement</u>
Summary: Sextant Marine Consulting, LLC (“Sextant”) executed a settlement agreement with the government and lawyer relator Bryan Quesenberry to settle allegations that Sextant obtained multiple first draw PPP loans in 2020 in violation of the Program rules. Specifically, the agreement states that Sextant applied for two separate PPP loans through different banks in April 2020—the first for \$150,000.00 and the second for \$168,811.00—but certified in connection with the first loan application that it sought only one PPP loan as required by the program. The relator filed his <i>qui tam</i> action against Sextant after learning of its false certification on the loan application. Several months later, upon receiving service of a civil investigative demand from the government, Sextant repaid the lender of the second loan in full. As part of the agreement, Sextant further agreed to pay the government \$30,000 representing civil penalties and damages under the FCA, and of which \$8,490.55 amounted to restitution for the processing fees the SBA paid to the bank to process the second loan. The parties also agreed that the relator would receive 15% of this amount, or \$4,500, as his portion of the recovery. Notably, the press release states this “matter remains under seal as to allegations against entities other than Sextant,” and thus it is believed the government is still investigating additional claims that the relator has alleged against other defendants.					
01/31/ 2022	06/01/2022	Eastern District of Virginia	Steph on Brook s	\$20,8 32 (First Draw Loan) \$20,8 33 (Seco	<u>Complaint</u> <u>Report and Recommendati on</u> <u>Default Judgement Order</u>

				nd Draw Loan) <u>\$20,833</u> (Third First Draw Loan) <u>\$20,000</u> (Fourt h First Draw Loan)	
Summary: On June 1, 2022, Judge Hilton in Alexandria, Virginia adopted Magistrate Judge Anderson’s Report and Recommendation to enter a default judgment against Stephon Brooks (“Brooks” or “Defendant”), a self-employed real estate agent, following the U.S. government’s (“the government”) allegations that Brooks was liable under the False Claims Act, 31 U.S.C. § 3729 <i>et seq</i> (“FCA”) for impermissibly receiving multiple First Draw loans under the Paycheck Protection Program (“PPP” or “Program”). Under the PPP, an applicant seeking a loan had to certify to seeking only one First Draw loan, and an applicant seeking forgiveness of that loan had to certify to compliance with all applicable PPP rules. As Judge Anderson summarized the government’s contentions in the Complaint, Brooks is alleged to have obtained improperly four First Draw PPP loans. The government alleged Brooks applied for his first First Draw loan on April 2, 2021 for \$20,832, his second First Draw loan on April 4, 2021 for \$20,833, his third First Draw loan on April 21, 2021 for \$20,833, and his fourth First Draw loan on April 26, 2021 for \$20,000. All told, according to the government, the Small Business Administration (“SBA”) paid around \$10,000 to process these loans. The government also alleged that Brooks obtained these loans from different lenders and used different TIN/EINs and email addresses on his loan applications—details that Judge Anderson determined suggested Brooks knew he was misrepresenting facts to obtain multiple PPP loans. Further, the government alleged that Brooks applied for loan forgiveness for the first First Draw loan on June 3, 2021 and for the fourth First Draw loan on October 3, 2021. According to the government, he certified compliance with applicable PPP rules on each loan forgiveness form, causing the government to forgive these two loans despite his alleged noncompliance. Based on this alleged					

	conduct, and notwithstanding Brooks' failure to respond to the government's contentions that Brooks' conduct violated the FCA, Judge Hilton entered a default judgment against Brooks for nearly \$450,000 on the FCA claims.				
2/7/2022	[12/22/2021]	District of New Jersey	Christopher Construction Company, Inc.	<u>\$255,507.00</u>	<u>DOJ Press Release</u> <u>Settlement Agreement</u>
Summary: The U.S. government executed a settlement agreement with Christopher Construction Company, Inc. ("CCC"), Dennis Christopher, and relator Pat L. Christopher to settle allegations that CCC and Dennis Christopher submitted a false claim for monies under the PPP in violation of the program's certification rules for eligible participants. Specifically, the settlement agreement states that around April 27, 2020, CCC, through its representative Dennis Christopher, falsely certified, when submitting an application for a PPP loan, that no individual owner of at least 20% of the company was then currently indicted or otherwise subject to criminal charges. Upon learning this, relator filed a <i>qui tam</i> action on June 19, 2020 in the United States District Court for the District of New Jersey, contending that relator, who owned more than 20% of CCC, had been indicted for tax fraud, theft, and embezzlement in August of 2019, and that CCC and Dennis Christopher knew this fact while certifying to the contrary on the PPP loan application. According to the U.S. government in the settlement agreement, this false certification caused the lender issuing the loan to submit a false claim to the SBA for \$12,775 in processing fees. The settlement agreement represents that CCC and Dennis Christopher returned the amount of the PPP loan to the lender and have not sought loan forgiveness from the SBA. As part of the settlement agreement, CCC and Dennis Christopher have agreed to pay \$53,325 in civil penalties and damages under the FCA, of which \$12,755 represents restitution to the SBA for payment of the processing fee. Finally, the settlement agreement provides that CCC and Dennis Christopher shall each pay half of the \$53,325 settlement amount, which is due no later than 30 days from December 22, 2021, and that CCC and Dennis Christopher will be responsible for relator's attorney's fees.					
2/11/2022	[2/3/2022]	Eastern District of Virginia	Zen Solutions, Inc.	<u>\$181,055.00</u> (first draw)	<u>DOJ Press Release</u> <u>Settlement Agreement</u>

				<u>\$192,727.00</u> (second, first draw)	
Summary: The U.S. government reached a settlement agreement with Zen Solutions, Inc. (“Zen”) and lawyer relator Bryan Quesenberry to settle allegations that Zen received multiple first draw PPP loans in 2020 in violation of the Program’s rules. The settlement agreement states that Zen applied for its first PPP loan on April 13, 2020 in an amount of \$181,055, and that Zen applied for its second PPP loan on April 28, 2020 in an amount of \$192,727.** PPP Rules required applicants to certify on each loan application that they would apply for only one PPP loan prior to December 31, 2020. Upon learning that Zen applied for two loans prior to December 31, 2020, the relator filed his <i>qui tam</i> action against Zen on September 7, 2020 in the United States District Court for the Eastern District of Virginia. As part of the settlement agreement, Zen agreed to pay the United States \$31,226.53 representing civil damages and penalties under the FCA, of which \$9,636.35 amounts to restitution for processing fees the SBA paid to the lender to process the second loan. The settlement agreement also provides that Zen is able to seek forgiveness of the first loan but may not seek forgiveness on the second loan, and will instead repay the second loan according to the terms of its promissory note. However, the settlement agreement states Zen must repay within twelve months or else risk defaulting and accruing additional interest. According to the agreement, if Zen defaults, it shall have three business days from the date of receiving a written notice of default, yet, the remaining balance on the \$31,226.53 shall become immediately due, accruing 10% interest per year. And finally, if Zen defaults, the settlement agreement provides that Zen must immediately pay the United States treble the amount of any SBA guarantee paid with respect to the second loan. **N.B.: Whereas the DOJ settlement agreement states the second, April 28, 2020 loan amounted to \$192,727, publicly available data on PPP loan recipients show the amount of this second loan was \$153,334.					
03/25/2022	[03/21/2022]	Eastern District of Washington	HMP Corporation, Hollie P. Mooers, and Grover C.	<u>\$1,344,700</u>	FCA Now Blog Post DOJ Press

			Mooers		<u>Release</u> <u>Settlement</u> <u>Agreement</u> <u>Deferred</u> <u>Prosecution</u> <u>Agreement</u>
Summary: HPM Corporation (“HPMC”), Hollie P. Mooers (“Ms. Mooers”), and Grover C. Mooers (“Mr. Mooers”) (collectively, “Defendants”) entered a settlement agreement** with the U.S. government to settle allegations that Defendants obtained forgiveness of a PPP loan by falsely certifying that the PPP funds were used for a permissible purpose when in fact Defendants failed to use any of the loan proceeds during the covered period, and ultimately donated the proceeds to charities after they obtained full forgiveness. Specifically, Defendants admitted to the following facts as part of the settlement agreement: HPMC successfully applied for and received a \$1,344,700 PPP loan in April 2020. In applying for these funds, HPMC, through Mr. Mooers, certified that the proceeds would be used for Program-eligible expenses. The proceeds, however, sat idle and unused in HPMC’s checking account for over a year. On April 6, 2021, HPMC, through Mr. Mooers, applied to have this PPP loan forgiven, and certified the PPP loan had been used for Program-eligible expenses. The SBA forgave the full loan amount (including both principal and interest) on April 13, 2021, and it paid Community First Bank, the lender, a lender fee of \$40,341. Notably, after obtaining forgiveness of the loan, on July 1, 2021, the \$1,344,700 that HPMC received a year earlier was transferred from HPMC’s business bank account to a personal checking account owned by Mr. and Ms. Mooers, where it was subsequently donated to charities. Under the terms of the settlement agreement, HPMC will pay the U.S. government \$2,393,400, which represents \$1,344,700 in restitution for the forgiven loan and \$1,344,700 as a penalty to the U.S. government. Further, Mr. and Ms. Mooers will pay \$250,000 as a penalty to the U.S. government. Mr. Mooers also agreed to step down from his managerial role at HPMC and agreed not to assume any other managerial or advisory role at HPMC for at least three years. Finally, the settlement agreement emphasized that: 1) HPMC was a Department of Energy contractor and that DOE continued to make contract payments to HPMC when it was to be using its PPP loan on eligible expenses, and 2) HPMC was required to cooperate with the United States’ investigation into entities and individuals not covered by the agreement, thereby indicating additional claims or charges may be in the offing.					

	**N.B. In addition to executing this settlement agreement regarding the U.S. government's allegations of liability under the False Claims Act, HPMC has also entered into a Deferred Prosecution Agreement with the U.S. government on the government's count of submitting false or fraudulent claims in violation of 18 U.S.C. § 287.				
03/31/2022	[May 19, 2022]	Eastern District of Virginia	Latifa Brooks	<u>\$20,833</u> <u>\$21,768</u>	<u>Press Release</u> <u>Complaint</u> <u>Joint Stipulation of Dismissal</u>
Summary: According to a Joint Stipulation of Dismissal, on May 19, 2022, the government executed a settlement agreement with Latifa Brooks to resolve allegations that she violated the FCA by submitting false documents and making false certifications in PPP loan documents. Under PPP rules, sole proprietors and independent contractors could receive PPP loans up to \$20,833 by providing the SBA with their Form 1040 Schedule Cs for tax years 2019 or 2020. According to the Complaint filed on March 31, 2022, Brooks applied for two loans, the first as a sole proprietor for \$20,833, and the second as an independent contractor for \$21,768 (an amount higher than permissible). The government contended Brooks did not submit tax returns for 2019 or 2020 but instead submitted a fraudulent Schedule C for tax year 2020 that caused the government to approve the loans and pay \$2,500 in processing fees for each loan. The government alleged that Brooks later sought forgiveness of loans, that she certified the fraudulent Schedule Cs were accurate, and that the SBA forgave the loans based on the false certifications. According to DOJ's press release, Brooks agreed to repay \$47,772 (the sum of the two loan amounts plus the processing fees) as well as \$59,575 in additional damages and penalties.					
04/21/2022	[03/17/2022]	District of New Jersey	Daniel Markus, Inc. and Margarita Risis	<u>\$248,849</u> First Draw <u>\$268,300</u> Second First Draw	<u>FCA Now Blog Post</u> <u>DOJ Press Release</u> <u>Settlement Agreement</u>
Summary: Daniel Markus, Inc. ("DMI") and Margarita Risis, DMI's sole					

	shareholder, entered a settlement agreement with the U.S. government and relator Bryan Quesenberry (“Relator”) to settle allegations that DMI obtained two first draw loans under the Paycheck Protection Program (“PPP” or “Program”) in violation of Program rules. These rules required applicants to certify on each loan application that they would apply for only one PPP loan prior to December 31, 2020. According to the settlement agreement, the government contends that DMI, through Risis, applied for and received a PPP loan in April 2020 for \$242,849 and that DMI applied for a second loan with a different lender, also in April 2020, and received another \$268,300 in PPP loan funds. The government alleges in the settlement agreement that DMI, through Risis, certified on both the first and second loan applications that it had not and would not receive another PPP loan. The settlement agreement states that Relator filed a <i>qui tam</i> suit in the District of New Jersey against DMI on September 12, 2020, alleging it unlawfully applied for and received two PPP loans despite certifying it would receive only one. To settle these allegations, the settlement agreement says that DMI and Risis, jointly and severally, shall pay the government \$50,000 within two weeks of the execution of the settlement agreement. Further, under the terms of the settlement agreement, DMI shall not seek forgiveness of its first PPP loan and shall fully repay the first lender within 12 months from the date of the settlement agreement. Finally, the settlement agreement states that Relator shall be entitled to recovery of \$3,541.05 following DMI and/or Risis’ payment of \$50,000.				
4/12/2022	[03/24/2022]	Middle District of Florida	Physician Partners of America LLC, Dr. Rodolfo Gari, and Dr. Abraham Rivera	\$5,978,709	FCA Now Blog Post DOJ Press Release Settlement Agreement
Summary: Physician Partners of America, LLC, as well as several of its affiliated entities (collectively, “PPOA”), Dr. Rodolfo Gari, PPOA’s founder and owner, and Dr. Abraham Rivera, PPOA’s medical director					

	(all together, “Defendants”) entered a settlement agreement with the U.S. government (“government”), the State of Florida, and numerous relators to settle allegations that Defendants violated the False Claims Act (“FCA”) by engaging in a scheme to defraud federal healthcare programs. As a consequence of this alleged scheme, the government also contends that PPOA, which sought a PPP loan during the pandemic, violated FCA by falsely certifying on the PPP loan application that they had not engaged in “illegal activity.” Specifically, the government contends in the settlement agreement that PPOA applied for a PPP loan on April 10, 2020. On this application, according to the government, PPOA stated it was not engaged in any illegal activities. Notwithstanding that certification, the government contends in the settlement agreement that PPOA had engaged in numerous illegal activities related to submitting false claims to Medicare, TRICARE, and other federal healthcare programs for reimbursement of certain medical treatments or devices deemed unnecessary. The State of Florida also alleged in the settlement agreement that this conduct caused false claims to be submitted to Florida’s Medicaid Program. To settle these allegations, the terms of the settlement agreement state that Defendants have agreed to pay the government, as well as the State of Florida, a sum of \$24,500,000. The terms allocate the breakdown of this payment such that Defendants shall pay (i) \$10,000,000 to the government, plus interest, within seven days of the effective date of the settlement agreement, and (ii) the remaining \$14,500,000, plus interest, to the government within ninety days of the effective date of the settlement agreement. Further, the terms state the government will distribute \$8,786.20, plus interest, to the State of Florida, of which \$4,393.10 constitutes restitution. The government, under the terms of the settlement agreement, will keep the remaining balance and will designate \$11,550,692.58 as restitution. Notwithstanding these terms, Defendants denied the government’s and State of Florida’s allegations. Notably, the settlement agreement does not state what specific portion of the settlement funds apply to resolve the PPP-related FCA claim.				
04/21/2022	04/21/2022 [06/14/2022]	Northern District of Mississippi	Darlene Johnson	\$20,830	<u>Complaint</u> <u>Consent</u> <u>Judgement</u>
Summary: The government sued Johnson for FCA violations on April 21, 2022, alleging that she had applied for and received a PPP loan of \$20,830 in April 2021 while claiming falsely to operate a self-employed daycare business, that she misrepresented payroll costs to receive a larger loan than otherwise allowed under PPP rules, that she then used the loan proceeds for ineligible purposes, and that based on these					

	misrepresentations, the SBA forgave the loan and origination fee. The government also alleged Johnson received help from an unnamed individual in submitting the PPP loan application and paid this individual a \$5,000 commission for the assistance. Pursuant to a consent judgment dated June 14, 2022, the parties stipulated to the entry of judgment against Johnson in the amount of \$20,916.79, and agreed the execution of the judgment would be stayed as long as Johnson made monthly payments until the judgment was satisfied.				
06/10/2022	06/10/2022	Northern District of Mississippi	Bailey's Trucking LLC, and Xavier Bailey	<u>\$143,738</u>	<u>Complaint</u>
Summary: On June 10, 2022, the U.S. government (“the government”) filed suit in the Northern District of Mississippi against Bailey’s Trucking LLC and Xavier Bailey, individually (collectively, “Defendants”) alleging that Defendants violated the False Claims Act, 31 U.S.C. § 3729 <i>et seq</i> (“FCA”) by making false representations in pursuit of a loan and loan forgiveness under the Paycheck Protection Program (“PPP” or “Program”). Under Program rules, a borrower had to certify that the loan funds would be used for permissible purposes and that a knowing misuse of the funds could subject the borrower to liability, including for fraud. When seeking loan forgiveness, the borrower also had to certify compliance with Program rules. In the complaint, the government alleged that Defendants obtained improperly a PPP loan worth \$143,738.00 around April 8, 2021 by misrepresenting payroll costs to receive more monies than otherwise eligible to receive under Program rules. Additionally, the government contends the Defendants knowingly misused the funds and knowingly misrepresented this use when seeking forgiveness of the PPP loan, which the government alleges the SBA forgave around November 10, 2021. The government’s allegations stem predominantly from an approximate March 18, 2022 meeting between a federal agent and Xavier Bailey, during which Bailey stated, according to the government, that he signed the PPP loan application, that he supplied the information on the PPP loan application, and that he made the certifications on the PPP loan application and loan forgiveness application. The government contends these certifications were knowingly false, and thus seeks relief under the FCA for treble the loan amount, plus one percent interest, as well as the processing fee the SBA paid to Defendants’ bank. The government also seeks relief					

	based on claims of unjust enrichment and payment by mistake.				
06/14/ 2022	06/14/2022 [06/28/2022]	Northern District of Mississippi	Erica Rice	<u>\$20,733</u> (first draw) <u>\$20,733</u> (second, first draw)	<u>Complaint</u> <u>Consent</u> <u>Judgment</u>
Summary: The government sued Rice for FCA violations on June 14, 2022, in which it alleged that Rice applied for and received two PPP loans of \$20,733 each in early 2021 while claiming to operate a self-employed jewelry and clothing store, that Rice misrepresented her payroll costs and annual income to obtain higher loan amounts, that Rice used the PPP loan funds for ineligible purposes, that Rice misrepresented her use of these funds when applying to the SBA for loan forgiveness, and that based on these misrepresentations, the SBA forgave the loans. The government also alleged that Rice received help from an unnamed individual in submitting the two PPP loan applications and that Rice paid this individual a \$5,000 commission for the assistance. Pursuant to a consent judgment dated June 28, 2022, the parties stipulated to the entry of judgment against Rice in the amount of \$46,957.80, and agreed the execution of the judgment would be stayed as long as Rice made monthly payments until the judgment was satisfied.					
06/14/ 2022	06/14/2022 [07/12/2022]	Northern District of Mississippi	Cierra Smith	<u>\$20,833</u> (first draw) <u>\$20,833</u> (second, first draw)	<u>Complaint</u> <u>Amended</u> <u>Complaint</u> <u>Consent</u> <u>Judgment</u>
Summary: In a consent judgment dated July 12, 2022, Smith agreed to pay \$46,796.05 arising from the government's allegations that she violated the FCA by presenting false claims and making false statements to obtain two PPP loans in early 2021. The June 17, 2022					

	amended complaint alleged that Smith applied for and received two PPP loans of \$20,833 each while claiming to operate a self-employed babysitting business, that Smith misrepresented her annual income and payroll costs to obtain higher loan amounts, that Smith knowingly used the loan funds for ineligible purposes and knowingly misrepresented this use when seeking forgiveness of these loans, and that based on these misrepresentations, the SBA forgave these loans in August 2021. In accepting this consent judgment, Smith will make monthly payments to pay off the \$46,796.05 owed to the government.				
06/17/2022	06/17/2022 [08/31/2022]	Northern District of Mississippi	Robert Curry, Jr.	<u>\$20,833</u> (first draw) <u>\$20,833</u> (second, first draw)	<u>Complaint</u> <u>Consent Judgment</u>
	Summary: The government filed suit against Curry and alleged that he fraudulently applied for and received two PPP loans for \$20,833 each in early 2021 while claiming to operate a self-employed landscaping business. The government further alleged that Curry misrepresented his annual income and payroll costs to receive higher loan amounts, that Curry knowingly used the PPP loan funds for ineligible purposes, that he misrepresented his use of the loan funds when seeking forgiveness of the loans, and that based on these misrepresentations, the SBA forgave the loans in August 2021. Pursuant to a consent judgment dated August 31, 2022, the parties stipulated to the entry of judgment against Curry in the amount of \$46,783.01, and agreed the execution of the judgment would be stayed as long as Rice made monthly payments until the judgment was satisfied.				
09/13/2022	[09/13/2022]	Southern District of Texas	Prosperity Bank (Lender)	<u>\$213,400</u>	<u>DOJ Press Release</u>
	Summary: In April 2020, borrower Woodlands Pain Institute obtained a \$213,400 first draw loan through its lender, Prosperity Bank. At the time, the borrower certified that no owner with more than 20% equity in the				

company was facing criminal charges, even though the sole owner of the borrower, Dr. Emad Bishai, was facing criminal charges arising from his practice of prescribing opioid medicines. Dr. Bishai entered into a settlement in November 2021 to resolve his liability arising from fraudulent medical billing and his submission of the PPP loan application. Subsequently, the government targeted and ultimately settled with the lender, because lender employees knew Dr. Bishai was facing charges and was therefore ineligible for the loan. The lender received a 5% processing fee of \$10,670 to process the loan, and as a result of the settlement it has to pay \$18,673.50 to resolve the allegations it improperly processed the PPP loan.

¹ The information in this column was either obtained from the relevant court filings or settlement agreements, or from the publicly available data on PPP loans available here: <https://projects.propublica.org/coronavirus/bailouts/>.