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Department of Justice

U.S. Attorney's Office

District of Rhode Island

FOR IMMEDIATE RELEASE

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Two Charged with Stimulus Fraud

First in the nation to be charged with fraudulently seeking CARES Act SBA Paycheck Protection Loans

PROVIDENCE – Two businessmen have been charged in the District of Rhode Island with allegedly filing bank loan applications fraudulently seeking more than a half-million dollars in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

David A. Staveley, aka Kurt D. Sanborn, 52, of Andover, Massachusetts, and David Butziger, 51, of Warwick, Rhode Island, are charged with conspiring to seek forgivable loans guaranteed by the SBA, claiming to have dozens of employees earning wages at four different business entities when, in fact, there were no employees working for any of the businesses.

Staveley and Butziger are charged by way of a federal criminal complaint with conspiracy to make false statements to influence the SBA and conspiracy to commit bank fraud. Additionally, Staveley is charged with aggravated identity theft. Butziger is charged with bank fraud.

“Tens of millions of Americans have lost their jobs and have had their lives thrown into chaos because of the coronavirus pandemic. It is unconscionable that anyone would attempt to steal from a program intended to help hard working Americans continue to be paid so they can feed their families and pay some of their bills,” said U.S. Attorney Aaron L. Weisman for the District of Rhode Island. “Attorney General Barr has directed all U.S. Attorneys to prioritize the investigation and prosecution of crimes related to coronavirus and COVID-19, and we are doing just that.”

“Every dollar stolen from the Paycheck Protection Program comes at the expense of employees and small business owners who are working hard to make it through these difficult times,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “The Criminal Division is committed to working with our law enforcement partners to root out abuse of the important relief programs established under the CARES Act.”

“As alleged, David Staveley and David Butziger tried to capitalize on the coronavirus crisis by conspiring to fraudulently obtain more than half a million dollars in forgivable loans that were intended to help small

businesses teetering on the edge of financial ruin,” said Special Agent in Charge Joseph R. Bonavolonta of the FBI’s Boston Field Office. “Thankfully we were able to stop them before taxpayers were defrauded, but today’s arrests should serve as a warning to others that the FBI and our law enforcement partners will aggressively go after bad actors like them who are utilizing the COVID-19 pandemic as an opportunity to commit fraud.”

“The alleged actions of defendants Staveley and Butziger are criminally reprehensible,” said Special Agent in Charge Kristina O’Connell of the IRS-Criminal Investigation (IRS-CI). “Defrauding a government program designed to provide financial assistance to small business owners during the Coronavirus pandemic is tantamount to taking money directly out of the pockets of those who need it most. Today’s arrests exemplify the hard work, dedication and efficiency of IRS-CI and the entire investigative team.”

“This is a critical time for our nation’s small businesses. It is well known that fraudsters prey upon those in vulnerable positions,” said SBA Inspector General Hannibal “Mike” Ware. “As this result shows, SBA-OIG and its law enforcement partners are actively working together to root out fraud in SBA’s programs and bring those responsible to justice. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their leadership and dedication throughout this investigation.”

According to court documents unsealed today in U.S. District Court in Providence, Rhode Island, the fraudulent loan requests were to pay employees of businesses that were not operating prior to the start of the COVID-19 pandemic and had no salaried employees, or, as in one instance, to pay employees at a business the loan applicant did not own.

Allegedly, Staveley and Butziger discussed via email the creation of fraudulent loan applications and supporting documentations to seek loans guaranteed by the SBA for COVID-19 relief through the Paycheck Protection Program (PPP). It is alleged that Staveley posed as his brother in real estate transactions.

It is alleged that Staveley claimed in loan applications requesting more than \$438,500 that he had dozens of employees at three restaurants he owned, two in Warwick, Rhode Island, and one in Berlin, Massachusetts. An investigation determined that one of the Rhode Island restaurants, the former Remington House, and the Massachusetts restaurant, On The Trax, were not open for business prior to the start of the COVID-19 pandemic, at the time the loan applications were submitted, or at any time thereafter. Moreover, Staveley did not own or have any role in the second Rhode Island restaurant, Top of the Bay, for which he was seeking financial relief.

According to court documents, Staveley’s Massachusetts restaurant was closed by March 10, 2020, when the town of Berlin revoked the business’ liquor license for numerous reasons, including that “Sanborn” allegedly misrepresented that his brother owned the restaurant. Investigators obtained information that Staveley/Sanborn allegedly used his brother’s personal identifying information in other real estate transactions as well.

According to court documents, it is alleged that on April 6, 2020, Butziger filed an application seeking a \$105,381 SBA loan under the PPP as owner of an unincorporated entity named Dock Wireless. Butziger claimed in documentation filed with the bank and in a telephone call with an FBI undercover agent posing as a bank compliance officer that he had seven full-time employees on Dock Wireless’ payroll, including himself. Butziger falsely represented to the agent that he brought the employees on full-time on Jan. 1, 2020, and laid them off at the end of March. Butziger claimed the employees continued to work without being paid through April 2020, and that he would use SBA PPP funds to pay them.

The Rhode Island State Department of Revenue provided information to the IRS of having no records of employee wages having been paid in 2020 by Butziger or Dock Wireless. Agents interviewed several of the supposed Dock Wireless employees who reported that they never worked for Butziger or Dock Wireless.

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.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on 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 eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

Staveley and Butzinger are the first individuals in the nation charged with allegedly defrauding the CARES Act SBA Paycheck Protection Program.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

Assistant Chief Lawrence Atkinson of the Criminal Division's Fraud Section and Assistant U.S. Attorney Lee H. Vilker for the District of Rhode Island are prosecuting the case.

The Justice Department acknowledges and thanks the FBI, IRS-CI, SBA Office of Inspector General, and the FDIC, Office of Inspector General for their efforts investigating this matter.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Attachment(s):

[Download David Butzinger Criminal Complaint Affidavit](#)

[Download David Butzinger Criminal Complaint](#)

[Download David Staveley Criminal Complaint Affidavit](#)

[Download David Staveley Criminal Complaint](#)

Topic(s):

Financial Fraud

Component(s):

[Criminal - Criminal Fraud Section](#)

[Federal Bureau of Investigation \(FBI\)](#)

[USAO - Rhode Island](#)

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