

***IN THE DISTRICT COURT OF THE UNITED STATES
For the Western District of New York***

**APRIL 2021 GRAND JURY
(Impaneled 04/14/2021)**

THE UNITED STATES OF AMERICA

**SUPERSEDING
INDICTMENT**

-vs-

MICHAEL RECH

Violations:
Title 18, United States Code,
Sections 1343, 1344(2), 1956 & 1957
(40 Counts and 2 Forfeiture
Allegations)

INTRODUCTION

The Grand Jury Charges That:

At all times relevant to this Indictment:

Defendant and His Entities

1. The defendant, **MICHAEL RECH**, resided at 5 Hilltop Drive in North Chili, New York.
2. Guardian of Humanity, Inc. (“Guardian of Humanity”) was a nonprofit corporation that was incorporated in Arizona on or about November 16, 2017. The defendant was the Director, President, and Chief Executive Officer of Guardian of Humanity

and controlled Guardian of Humanity's finances. Records from the Internal Revenue Service indicate that Guardian of Humanity did not have employees, and did not pay any wages in 2019 and 2020.

3. Eclipse Advisors, LLC ("Eclipse Advisors") was a limited liability company that was organized in Arizona on or about August 8, 2013. The defendant was the sole member of Eclipse Advisors and controlled Eclipse Advisors' finances. Records from the Internal Revenue Service indicate that Eclipse Advisors did not have employees, and did not pay any wages in 2019 and 2020.

Paycheck Protection Program

4. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law on March 27, 2020 and designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic.

5. 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 a program referred to as the Paycheck Protection Program ("PPP"). In or around April 2020, Congress authorized over \$300 billion in additional PPP funding.

6. To obtain a PPP loan, a qualifying business was required to submit a PPP loan application, which was signed by an authorized representative of the business. The PPP loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications to be eligible to obtain the PPP loan.

One such certification required that the applicant (through its authorized representative) affirm that “[t]he [PPP loan] funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges.”

7. In the PPP loan application, the small business (through its authorized representative) was required to also state, among other things, its (a) average monthly payroll expenses and (b) number of employees. The payroll expense figure was used to calculate the amount of money the small business is eligible to receive under the PPP. If the small business had no payroll expenses, then it was not entitled to a PPP loan.

8. After a PPP loan application was received and processed by a participating financial institution, it was transmitted for further review to the Small Business Administration (“SBA”) to assess the applicant’s eligibility. If a PPP loan application was approved, the participating financial institution funded the PPP loan using its own monies, which were 100% guaranteed by the SBA. Data from the application, including information about the applicant, the applicant’s payroll expenses, and the total amount of the loan was transmitted by the participating financial institution to the SBA when processing the loan.

9. PPP loan proceeds were required to be used by the business on certain permissible expenses to include payroll costs, interest on mortgages, rent, and utilities. The PPP allowed the interest and principal on the PPP loan to be entirely forgiven if the business spent the loan proceeds on these expense items within a designated period of time (usually

eight weeks of receiving the proceeds) and used a certain amount of the PPP loan proceeds, at least 75%, on payroll expenses.

Lenders

10. WebBank was a “financial institution” as that term is defined in Title 18, United States Code, Section 20, with headquarters in Utah. WebBank was an approved SBA lender and funded a PPP loan to Guardian of Humanity.

11. PayPal, Inc. (“PayPal”) participates in the PPP as an entity that originates PPP loans. Small businesses seeking PPP loans can apply through PayPal using an online platform. PayPal originated the PPP loans and partners with various banks, including WebBank, to fund and disburse the PPP loans. PayPal received a PPP loan application on behalf of Guardian of Humanity that was ultimately funded by WebBank.

12. ReadyCap Lending, LLC (“ReadyCap Lending”) was a “financial institution” as that term is defined in Title 18, United States Code, Section 20 and was an approved non-bank SBA lender and received three PPP loan applications on behalf of Guardian of Humanity and funded one PPP loan to Guardian of Humanity.

13. Citizens Bank, N.A. (“Citizens Bank”) was a “financial institution” as that term is defined in Title 18, United States Code, Section 20, with headquarters in Rhode Island and was an approved SBA lender. Citizens Bank received a PPP loan application on behalf of Eclipse Advisors and funded a PPP loan to Eclipse Advisors.

14. Canandaigua National Bank & Trust (“Canandaigua National Bank”) was a “financial institution” as that term is defined in Title 18, United States Code, Section 20, with headquarters in the Western District of New York.

COUNT 1
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. Between on or about April 26, 2020, and on or about May 4, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, Citizens Bank, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$90,000 from Citizens Bank by misrepresenting the number of employees, the amount of payroll, and the ownership and management of Eclipse Advisors on a PPP loan application the defendant submitted on behalf of Eclipse Advisors.

Scheme and Artifice

4. On or about April 26, 2020, the defendant submitted a PPP loan application on behalf of Eclipse Advisors which was ultimately received by Citizens Bank. In the PPP loan

application, the defendant fraudulently stated that Eclipse Advisors had between ten and fifty employees and that Eclipse Advisors' average monthly payroll was \$36,000, when in fact, as the defendant knew, Eclipse Advisors had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Eclipse Advisors, submitted four fraudulent IRS Forms 941, Employer's Quarterly Federal Tax Returns, which returns falsely represented the number of employees Eclipse Advisors had, the amount of wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employees' wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner and had no control of any other business, when in fact, the defendant knew he owned and controlled Guardian of Humanity.

7. As a result of the fraudulent PPP loan application, on or about May 4, 2020, Citizens Bank provided a PPP loan in the amount of \$90,000, which funds the defendant knew Eclipse Advisors was not entitled to and which funds were not used in accordance with the terms of the PPP loan requirements.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 2
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 1 are incorporated herein by reference.

2. Between on or about April 26, 2020 and on or about May 4, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud Citizens Bank and the SBA, and to obtain money and property from Citizens Bank and the SBA by means of false and fraudulent pretenses, representations and promises, and which scheme and artifice affected a financial institution.

3. Between on or about April 26, 2020, and on or about April 30, 2020, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the PPP loan application from the Western District of New York to Foundation Group, LLC, a third-party online portal located in the state of Virginia, which loan application was then transferred to Citizens Bank in the state of Rhode Island.

All in violation of Title 18, United States Code, Section 1343.

COUNTS 3 THROUGH 14
(Money Laundering)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Counts 1 and 2 are incorporated herein by reference.

2. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly conduct financial transactions, that is, the withdrawal of funds in cash from Citizens Bank in the amounts set forth below, which involved the proceeds of specified unlawful activity, that is, bank fraud and wire fraud in violation of Title 18, United States Code, Sections 1343 and 1344, with the intent to avoid a transaction reporting requirement under Federal law, and that while conducting such financial transactions, the defendant knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, such transactions consisting of the following and occurring on or about the dates set forth below:

COUNT	DATE OF TRANSACTION	AMOUNT OF CASH WITHDRAWAL FROM CITIZENS BANK
3	05/05/2020	\$9,000
4	05/06/2020	\$9,000
5	05/07/2020	\$9,000
6	05/08/2020	\$9,000
7	05/09/2020	\$4,000

8	05/12/2020	\$9,000
9	05/13/2020	\$4,500
10	05/13/2020	\$4,500
11	05/14/2020	\$9,000
12	05/15/2020	\$9,000
13	05/19/2020	\$4,500
14	05/20/2020	\$9,500

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(ii).

COUNT 15
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. Between on or about April 27, 2020, and on or about April 29, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, WebBank, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$37,500 from WebBank by misrepresenting the number of employees,

the amount of payroll, and the ownership and management of Guardian of Humanity on the PPP loan application submitted by the defendant to PayPal on behalf of Guardian of Humanity.

Scheme and Artifice

The scheme and artifice was accomplished and effected as follows:

4. On or about April 27, 2020, the defendant submitted a PPP loan application on behalf of Guardian of Humanity to PayPal. In the PPP loan application, the defendant fraudulently stated that Guardian of Humanity had four employees and that Guardian of Humanity's average monthly payroll was \$15,000, when in fact, as the defendant knew, Guardian of Humanity had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Guardian of Humanity, submitted four fraudulent IRS Forms 941, Employer's Quarterly Federal Tax Returns, which returns falsely represented the number of employees Guardian of Humanity had, the amount of wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employees' wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner and had no control of any other business, when in fact, as the defendant knew, he owned and controlled Eclipse Advisors.

7. As a result of the fraudulent PPP loan application, on or about April 29, 2020, WebBank provided a PPP loan in the amount of \$37,500 to Guardian of Humanity, which

funds the defendant knew Guardian of Humanity was not entitled to and which funds were not used in accordance with the terms of the PPP loan requirements.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 16
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 15 are incorporated herein by reference.

2. Between on or about April 27, 2020, and on or about April 29, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud PayPal, WebBank and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises, and which scheme and artifice affected a financial institution.

3. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the communications set forth below:

DATE	COMMUNICATION
04/27/2020	The submission of the PPP loan application from the Western District of New York to PayPal's server located outside of New York State.
04/29/2020	The wire transfer of \$37,500 from WebBank's bank account located in the state of Utah to Guardian of Humanity's bank account at Canandaigua National Bank & Trust located in the Western District of New York.

All in violation of Title 18, United States Code, Section 1343.

COUNTS 17 THROUGH 20
(Money Laundering)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Counts 15 and 16 are incorporated herein by reference.

2. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly conduct financial transactions, that is, the withdrawal of funds in cash from Canandaigua National Bank in the amounts set forth below, which involved the proceeds of specified unlawful activity, that is, bank fraud and wire fraud in violation of Title 18, United States Code, Sections 1344 and 1343, with the intent to avoid a transaction reporting requirement under Federal law, and that while conducting such financial transactions, the defendant knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, such transactions consisting of the following and occurring on or about the dates set forth below:

COUNT	DATE OF TRANSACTION	AMOUNT OF CASH WITHDRAWAL FROM CANANDAIGUA NATIONAL BANK
17	05/01/2020	\$9,000
18	05/05/2020	\$9,000
19	05/07/2020	\$9,000
20	05/12/2020	\$9,000

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(ii).

COUNT 21
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. Between on or about June 2, 2020, and on or about June 4, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, ReadyCap Lending, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$91,667 from ReadyCap Lending by misrepresenting the number of employees, the amount of payroll, and the ownership and management of Guardian of

Humanity on the PPP loan application submitted by the defendant to ReadyCap Lending on behalf of Guardian of Humanity.

Scheme and Artifice

4. On or about June 2, 2020, the defendant submitted a PPP loan application on behalf of Guardian of Humanity to ReadyCap Lending. In the PPP loan application, the defendant fraudulently stated that Guardian of Humanity had average monthly payroll expenses in the amount of \$36,667, when in fact, as the defendant knew, Guardian of Humanity had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Guardian of Humanity, submitted a fraudulent IRS Form 941, Employer's Quarterly Federal Tax Return, which return falsely represented the number of employees Guardian of Humanity had, the amount of wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employees' wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner and had no control of any other business, when in fact, as the defendant knew, he owned and controlled Eclipse Advisors.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 22
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 21 are incorporated herein by reference.

2. Between on or about June 2, 2020, and on or about June 4, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud ReadyCap Lending and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises, and which scheme and artifice affected a financial institution.

3. On or about June 2, 2020, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the PPP loan application from the Western District of New York to ReadyCap Lending's third-party server located outside of the State of New York.

All in violation of Title 18, United States Code, Section 1343.

COUNT 23
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.

2. Between on or about February 10, 2021, on or about February 22, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, ReadyCap Lending, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$150,000 from ReadyCap Lending by misrepresenting the number of employees, the amount of payroll, and the ownership and management of Guardian of Humanity on the PPP loan application submitted by the defendant to ReadyCap Lending on behalf of Guardian of Humanity.

Scheme and Artifice

4. On or about February 10, 2021, the defendant submitted a PPP loan application on behalf of Guardian of Humanity to ReadyCap Lending. In the PPP loan application, the defendant fraudulently stated that Guardian of Humanity had average monthly payroll expenses in the amount of \$60,000, when in fact, as the defendant knew, Guardian of Humanity had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Guardian of Humanity, submitted fraudulent IRS Forms 941, Employer's Quarterly Federal Tax Returns, which returns falsely represented the number of employees Guardian of Humanity had, the

amount of wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employees' wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner or had any control of any other business, when in fact, as the defendant knew, he owned and controlled Eclipse Advisors.

7. As a result of the fraudulent PPP loan application, on or about February 22, 2021, ReadyCap Lending provided a PPP loan in the amount of \$150,000 to Guardian of Humanity, which funds the defendant knew Guardian of Humanity was not entitled to and which funds were not use in accordance with the terms of the PPP loan requirements.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 24
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 23 are incorporated herein by reference.

2. Between on or about February 10, 2021, and on or about February 22, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud ReadyCap Lending and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises, and which scheme mand artifice affected a financial institution.

3. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the communications set forth below:

DATE	COMMUNICATION
02/10/2021	The submission of the PPP loan application from the Western District of New York to ReadyCap Lending's third-party server located outside of New York State.
02/22/2021	The ACH request by ReadyCap Lending to transfer \$150,000 from ReadyCap Lending to Guardian of Humanity's bank at Canandaigua National Bank & Trust from outside of New York State to the Western District of New York.

All in violation of Title 18, United States Code, Section 1343.

COUNTS 25 AND 26
(Money Laundering)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Counts 23 and 24 are incorporated herein by reference.

2. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly engage in monetary transactions, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, that is, the deposit, withdrawal, transfer and exchange of funds and monetary

instruments by, through and to financial institutions engaged in and the activities of which affected interstate and foreign commerce, such property having been derived from specified unlawful activity, that is, bank fraud and wire fraud in violation of Title 18, United States Code, Sections 1344 and 1343, and knowing that the funds and monetary instruments involved in the transactions constituted, and were derived from, proceeds obtained from a criminal offense, such transactions consisting of the following and occurring on or about the below identified dates:

COUNT	DATE OF TRANSACTION	DESCRIPTION
25	02/22/2021	A check for \$50,000 was issued from Canandaigua National Bank and deposited in Citizens Bank.
26	02/25/2021	A check for \$100,000 was issued from Canandaigua National Bank and deposited in Citizens Bank.

All in violation of Title 18, United States Code, Section 1957(a).

COUNTS 27 THROUGH 34
(Money Laundering)

The Grand Jury Further Charges That

1. The allegations in the Introduction and Counts 23 through 26 are incorporated herein by reference.

2. On or about the dates set forth below, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly conduct financial transactions, that is, the withdrawal of funds in cash from Citizens Bank set forth below, which involved the proceeds of specified unlawful activity, that is, bank fraud and wire fraud

in violation of Title 18, United States Code, Sections 1344 and 1343, with the intent to avoid a transaction reporting requirement under Federal law, and that while conducting such financial transactions, the defendant knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, such transactions consisting of the following and occurring on or about the dates set forth below:

COUNT	DATE OF TRANSACTION	AMOUNT OF CASH WITHDRAWAL FROM CITIZENS BANK
27	02/24/2021	\$9,500
28	02/25/2021	\$9,500
29	02/26/2021	\$9,500
30	02/27/2021	\$9,500
31	03/01/2021	\$9,500
32	03/02/2021	\$9,500
33	03/03/2021	\$3,500
34	03/03/2021	\$6,000

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(ii).

COUNT 35
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.

2. Between on or about February 26, 2021, on or about March 10, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, ReadyCap Lending, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$150,000 from ReadyCap Lending by misrepresenting the number of employees, the amount of payroll, and the ownership and management of Eclipse Advisors on the PPP loan application submitted by the defendant to ReadyCap Lending on behalf of Eclipse Advisors.

Scheme and Artifice

4. On or about February 26, 2021, the defendant submitted a PPP loan application on behalf of Eclipse Advisors to ReadyCap Lending. In the PPP loan application, the defendant fraudulently stated that Eclipse Advisors had average monthly payroll expenses in the amount of \$60,000, when in fact, as the defendant knew, Eclipse Advisors had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Eclipse Advisors, submitted five fraudulent IRS Forms 941, Employer's Quarterly Federal Tax Returns, which returns falsely represented the number of employees Eclipse Advisors had, the amount of

wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employee's wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner and had no control of any other business, when in fact, as the defendant knew, he owned and controlled Guardian of Humanity.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 36
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 35 are incorporated herein by reference.

2. Between on or about February 26, 2021, and on or about March 10, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud ReadyCap Lending and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises, and which scheme and artifice affected a financial institution.

3. On or about February 26, 2021, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the

PPP loan application from the Western District of New York to ReadyCap Lending's third-party server outside of New York State.

All in violation of Title 18, United States Code, Section 1343.

COUNT 37
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. Between on or about April 28, 2020, and on or about April 29, 2020, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud PayPal and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$62,500 by misrepresenting the number of employees and the amount of payroll on the PPP loan application submitted by the defendant to PayPal on behalf of Eclipse Advisors.

Scheme and Artifice

4. On or about April 28, 2020, the defendant submitted a PPP loan application on behalf of Eclipse Advisors to PayPal. In the PPP loan application, the defendant

fraudulently stated that Eclipse Advisors had average monthly payroll expenses in the amount of \$25,000, when in fact, as the defendant knew, Eclipse Advisors had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. Between on or about April 28, 2020, and on or about April 29, 2020, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the PPP loan application from the Western District of New York to PayPal's third-party server outside of New York State.

All in violation of Title 18, United States Code, Section 1343.

COUNT 38
(Bank Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. Between on or about January 20, 2021, and on or about March 2, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did knowingly execute, and attempt to execute, a scheme and artifice to obtain money, funds, credits, assets and other property owned by, and under the custody and control of, Canandaigua National Bank, by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$150,000 from Canandaigua National Bank by misrepresenting the number of employees, the amount of payroll, and the ownership and management of Guardian of Humanity on the PPP loan application submitted by the defendant to Canandaigua National Bank on behalf of Guardian of Humanity.

Scheme and Artifice

4. On or about January 20, 2021, the defendant submitted a PPP loan application on behalf of Guardian of Humanity to Canandaigua National Bank. In the PPP loan application, the defendant fraudulently stated that Guardian of Humanity had eight employees, when in fact, as the defendant knew, Guardian of Humanity had no employees and was not entitled to a PPP loan.

5. With the PPP loan application, the defendant, on behalf of Guardian of Humanity, submitted fraudulent IRS Forms 941, Employer's Quarterly Federal Tax Returns, which returns falsely represented the number of employees Guardian of Humanity had, the amount of wages and other compensation paid to such employees, and the amount of federal income tax withheld from such employees' wages.

6. The defendant also falsely stated on the PPP loan application that he was not the owner or had any control of any other business, when in fact, as the defendant knew, he owned and controlled Eclipse Advisors.

All in violation of Title 18, United States Code, Section 1344(2).

COUNT 39
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction and Count 38 are incorporated herein by reference.

2. Between on or about January 20, 2021, and on or about March 2, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud Canandaigua National Bank and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises, and which scheme and artifice affected a financial institution.

3. Between on or about January 20, 2021, and on or about March 2, 2021, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the PPP loan application from the Western District of New York to Canandaigua National Bank's third-party server located outside of New York State.

All in violation of Title 18, United States Code, Section 1343.

COUNT 40
(Wire Fraud)

The Grand Jury Further Charges That:

1. The allegations in the Introduction are incorporated herein by reference.
2. On or about January 21, 2021, in the Western District of New York, and elsewhere, the defendant, **MICHAEL RECH**, did devise, and intend to devise, a scheme and artifice to defraud PayPal and the SBA, and to obtain money and property from such entities by means of false and fraudulent pretenses, representations and promises.

Object of the Scheme and Artifice

3. The object of the scheme and artifice was for the defendant to obtain a PPP loan in the amount of \$150,000 by misrepresenting the number of employees and the amount of payroll on the PPP loan application submitted by the defendant to PayPal on behalf of Guardian of Humanity.

Scheme and Artifice

4. On or about January 21, 2021, the defendant submitted a PPP loan application on behalf of Guardian of Humanity to PayPal. In the PPP loan application, the defendant fraudulently stated that Guardian of Humanity had average monthly payroll expenses in the amount of \$60,000, when in fact, as the defendant knew, Guardian of Humanity had no employees, had no payroll expenses, and was not entitled to a PPP loan.

5. On or about January 21, 2021, in the Western District of New York, and elsewhere, the defendant, for the purpose of executing the scheme and artifice, did transmit, and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds, that is, the submission by the defendant of the PPP loan application from the Western District of New York to PayPal's third-party server outside of New York State.

All in violation of Title 18, United States Code, Section 1343.

FIRST FORFEITURE ALLEGATION
(Proceeds Forfeiture)

The Grand Jury Alleges That:

Upon conviction of one or both of the offenses set forth in Counts 1, 2, 15, 16, 21 through 24, 35 and 36 of this Indictment, the defendant, **MICHAEL RECH**, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offense. The property to be forfeited includes, but is not limited to, the following:

A. MONETARY SUM

The approximate sum of \$277,500 which sum of money is equal to the total amount of proceeds obtained as a result of the offense for which the defendant, MICHAEL RECH is charged in Counts 1, 2, 15, 16, 21 through 24, 35 and 36. In the event that the above sum is

not available, then a money judgment for the same amount will be entered against the defendant.

B. BANK ACCOUNT

- i. \$83,895.38 seized from Citizens Bank Acct#401369-8144 in the name of Eclipse Advisors, LLC seized on April 12, 2021

C. UNITED STATES CURRENCY

- i. \$193,604.62 United States Currency seized on March 26, 2021 from 5 Hilltop Drive, North Chili, NY 14514.

If any of the property described above, as a result of any act or omission of the defendant:

1. cannot be located upon the exercise of due diligence;
2. has been transferred or sold to, or deposited with, a third person;
3. has been placed beyond the jurisdiction of the Court;
4. has been substantially diminished in value; or
5. has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), Title 21, United States Code, Section 853(p), and Title 28, United States Code, Section 2461(c).

SECOND FORFEITURE ALLEGATION
(Money Laundering Forfeiture)

The Grand Jury Further Alleges That:

Upon conviction of one or more of the offenses set forth in Counts 3 through 14, 17-20, 25-34 of this Indictment, the defendant, **MICHAEL RECH**, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), the following property:

A. PROPERTY

All right, title and interest in any and all property involved in violations of Title 18, United States Code, Sections 1956 and 1957 for which the defendant is convicted, and all property traceable to such property, including the following: 1) all money or other property or traceable to such property, that was the subject of each transaction, transmission or transfer in violation of Sections 1956 and 1957; 2) all commissions, fees and other property constituting proceeds obtained as a result of those violations; and 3) all property or traceable to such property, used in any manner or part to commit or to facilitate the commission of those violations.

B. SPECIFIC ASSETS

The following specific assets which have been identified as property involved in a money laundering transaction or transactions:

BANK AND INVESTMENT ACCOUNTS:

- i. \$83,895.38 seized from Citizens Bank Acct#401369-8144 in the name of Eclipse Advisors, LLC seized on April 12, 2021

UNITED STATES CURRENCY:

- i. \$193,604.62 United States Currency seized on March 26, 2021 from 5 Hilltop Drive, North Chili, NY 14514.

If any of the property described above as being subject to forfeiture, as a result of any act or omission of the defendant

1. cannot be located upon the exercise of due diligence;
2. has been transferred or sold to, or deposited with, a third person;
3. has been placed beyond the jurisdiction of the Court;
4. has been substantially diminished in value; or
5. has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p).

All pursuant to Title 18, United States Code, Section 982(a)(1) and Title 21, United States Code, Section 853(p).

DATED: Rochester, New York, September 2, 2021

JAMES P. KENNEDY, JR.
United States Attorney

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A TRUE BILL:

s/FOREPERSON