

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
BROWARD DIVISION**

CASE NO. 21-60146-CR-RKA

UNITED STATES OF AMERICA

vs.

DENNES GARCIA,

Defendant.

/

GOVERNMENT’S SENTENCING MEMORANDUM

The United States of America, by and through its undersigned counsel, hereby submits this Sentencing Memorandum as to Defendant Dennes Garcia (the “Defendant”). The Defendant is presently set for sentencing before the Court on September 29, 2021 for his conviction by guilty plea to one count of conspiracy to commit wire fraud, in violation of Title 18, United State Code, Section 371. The offense stems from the Defendant’s receipt of a fraudulent Paycheck Protection Program (“PPP”) loan of \$285,742 on behalf of his company, Dhanda Corporation (“Dhanda”).

For the reasons set forth herein, the United States respectfully recommends that the Court sentence the Defendant to a term of imprisonment of 18 months, to be followed by three years of supervised release.¹ A sentence of 18 months’ imprisonment represents the bottom of the applicable range of the United States Sentencing Guidelines (the “Guidelines”) as calculated by the United States Probation Office (“Probation”) in the final draft of the Presentence Investigation

¹ The United States is also seeking forfeiture of \$285,742 and restitution of \$285,742, consistent with the Plea Agreement [ECF No. 25 ¶¶ 14, 17]. On September 20, 2021, the United States filed an unopposed Motion for Preliminary Order of Forfeiture [ECF No. 34]. The Defendant has also agreed to pay a special assessment of \$100 [ECF No. 25 ¶ 5].

Report, disclosed September 21, 2021 [ECF No. 36] (the “PSR”), to which the government has no objection. Furthermore, the sentence recommended herein by the United States will provide punishment for the offense of conviction that is sufficient, but not greater than necessary, to accomplish the purposes of sentencing set forth in 18 U.S.C. § 3553(a).

I. FACTUAL BACKGROUND

In early 2020, as the COVID-19 pandemic spread across the country and disrupted everyday life, causing illness, death and economic distress, the U.S. government assembled relief programs to help those whose livelihoods were jeopardized. One of those programs was the PPP. Against this backdrop, the Defendant and his co-conspirators participated in a scheme to obtain by fraud millions of dollars in forgivable loans through the PPP, and have done so by conspiring with Ross Charno (referenced in the Information as “Individual 1”) James Stote (referenced in the Information as “Individual 2”) and others. The Defendant obtained a fraudulent PPP loan for his own company, Dhanda, with Stote and Charno providing falsified documents and submitting the application on the Defendant’s behalf in exchange for a kickback from the loan proceeds. To inflate the size of these PPP loans, and the corresponding kickbacks, the conspirators relied on a variety of false statements, including by submitting falsified bank statements and payroll tax forms.

A. The CARES Act

In March 2020, in response to the many challenges presented by the pandemic, Congress passed the CARES ACT, Pub. L. 116-136, which created the PPP. The PPP authorized \$349 billion in forgivable loans to small businesses to be used for payroll, mortgage interest, rent/lease payments, or utilities. In April 2020, Congress authorized an additional \$310 billion for PPP funding. These funds were designed to address the unprecedented crisis facing Americans—

especially business owners whose livelihoods were threatened by the public health emergency. PPP funds were designed as a lifeline.

The program was designed to provide funds quickly and easily to qualifying individuals. PPP loans were not dispensed through any government bureaucracy; funds were distributed by banks who had existing relationships with many of the people in need. To apply, individuals submitted an application to a participating financial institution along with supporting documentation as to the business's payroll expenses. The supporting documentation requirement was minimal, and could be satisfied with one year's worth of the company's tax records. 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 Small Business Administration ("SBA").

B. Overview of Defendant's Conduct

A more detailed recitation of the facts relating to the scheme are detailed in the Information (ECF No. 17), Defendant's factual proffer statement (ECF No. 24), and the PSR (ECF No. 36).

Beginning in May 2020 through in or around at least November 2020, the Defendant conspired with Stote, Charno, and others to obtain by fraud a PPP loan on behalf of Dhanda, a Georgia corporation that the Defendant established in 2017.

In furtherance of the conspiracy, the Defendant caused the submission of a PPP loan application on behalf of Dhanda that the Defendant knew contained materially false and fraudulent representations, including both the number of employees that Dhanda had during each quarter of 2019 and the amount of wages paid by Dhanda during each quarter of 2019. Specifically, on May 29, 2020, Stote submitted at Defendant's request, four (4) signed and dated four Internal Revenue Service ("IRS") Forms 941 (titled, "Employer's Quarterly Federal Tax Returns"), that is, one for

each quarter of 2019 (collectively, the “Forms 941”), each of which falsely represented that Dhanda had 15 employees and paid \$324,893.46 in quarterly wages, tips, and other compensation, during each quarter of 2019. In fact, the Defendant was the sole employee of Dhanda.

In addition to the Forms 941, Stote submitted at Defendant’s request, an electronically signed PPP loan application form on behalf of Dhanda, which falsely represented that Dhanda had 15 employees and an average monthly payroll of \$114,297.

Bank Processor 1 approved and funded a PPP loan for Dhanda in the amount of \$285,742. Thereafter, the Defendant paid kickbacks to Stote in the amount of \$71,435.50.

II. PROCEDURAL HISTORY

On March 16, 2021, the Defendant was charged by complaint with conspiracy to commit wire fraud and bank fraud, in violation of Title 18, United States Code, Section 1349, wire fraud, in violation of Title 18, United States Code, Section 1343, and bank fraud, in violation of Title 18, United States Code, Section 1344 [ECF No. 1]. Following waiver of indictment, on May 20, 2021, the Defendant was charged in an Information with conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371 [ECF No. 17]. The Defendant pleaded guilty before this Court to the Information pursuant to a written plea agreement on July 6, 2021 [ECF No. 22]. Sentencing is presently scheduled for September 29, 2021.

III. SENTENCING GUIDELINES CALCULATIONS

As explained below, the United States submits that the Defendant’s Total Offense Level is 15. At Criminal History Category I, this produces an advisory Guidelines range of 18-24 months of imprisonment pursuant to the Sentencing Table in Chapter 5, Part A of the Guidelines.

A. The PSR Correctly Computes the Offense Level

As set forth in the PSR, Probation computes the Total Offense Level at 15 (PSR ¶¶ 54-63). The United States concurs with the Offense Level computation in the PSR, which is as follows:

Base Offense Level, § 2B1.1(a)(2)	6
Loss greater than \$250,000 but less than \$550,000, § 2B1.1(b)(1)(C)	12
Acceptance of Responsibility and Timely Notification § 3E1.1(a) and (b)	(3)
Total Offense Level	15

The Defendant does not dispute that these Guidelines provisions are applicable to him, and there are no objections to the PSR.

IV. CONSIDERATION OF SENTENCING FACTORS UNDER 18 U.S.C. § 3553(A)

Title 18, United States Code, Section 3553(a), enumerates several factors that the Court shall consider in sentencing a defendant. As addressed in turn below, the 3553(a) factors relevant to the Defendant support the sentence recommended by the United States.

A. Nature and Circumstances of the Offense

This was a serious offense. In 2020, as the COVID-19 pandemic spread across the country causing illness, death and economic distress, the government created PPP loans to help small business owners and their employees whose livelihoods were jeopardized. The Defendant took advantage of the program by submitting a false application claiming to have employees and payroll that did not exist. His application was supported by false tax forms and a fictitious bank statement. The Defendant's willful participation in this serious criminal conduct warrants a sentence of imprisonment within the advisory Guidelines range. The United States' recommended sentence

of 18 months' imprisonment, which is at the bottom of the Guidelines range, is sufficient but not greater than necessary to accomplish this goal.

B. History and Characteristics of the Defendant

The Defendant is a 28-year-old man who founded Dhanda in 2017 as a real estate assignment of contracts venture but has refocused the business plan to be a real estate flip venture [ECF No. 36 (PSR) ¶ 86]. The Defendant is unmarried and has no children. (*Id.* ¶ 73.) The Defendant has no criminal history points. (*Id.* ¶ 66.)

The Defendant agreed to plead guilty before being indicted, and thus deserves credit for accepting responsibility early and saving the government considerable resources in preparing for grand jury and a trial. The sentence recommended by the United States reflects such acceptance because it is within the Guidelines produced by the Offense Level that has been adjusted downward by three levels for acceptance of responsibility pursuant to Section 3E1.1(a) and (b).

C. Need for the Sentence to Afford Adequate Deterrence to Criminal Conduct and Protect the Public from Further Crimes of the Defendant

The sentence in this case should address a need for both general and specific deterrence. As to general deterrence, the Eleventh Circuit has explicitly stated that “general deterrence is an important factor in white-collar cases, where the motivation is greed.” *United States v. Hayes*, 762 F.3d 1300, 1308 (11th Cir. 2014). As explained above, this case was motivated by greed at time when millions of Americans were suffering from the economic impact of a global pandemic. As the pandemic spread, so too did fraud related to the PPP program and other programs designed to provide critical economic assistance—especially in the Southern District of Florida. The government’s recommended sentence of imprisonment in this case is thus appropriate to provide both specific and general deterrence. Such a sentence will send a clear message to the Defendant

and other offenders that there are serious consequences for defrauding government pandemic relief programs. Indeed, as the pandemic continues to impact small businesses, the PPP loan program remains ongoing. Actors like the Defendant who seek to defraud these programs not only drain the program of limited funding, they make it more difficult for administrators of government and other relief programs to get aid to individuals that qualify for and need it. The Defendant's sentence will serve as a warning and deterrent to others inclined to exploit pandemic relief programs.

Furthermore, a sentence at the bottom of the Guidelines range is sufficient to protect the public from future crimes of this Defendant who has no prior convictions. With this sentence, the government believes the risk of recidivism is low.

D. Need for the Sentence to Avoid Unwarranted Sentencing Disparities

The sentence recommended by the United States will not create an unwarranted sentencing disparity. There are two relevant points of comparison to avoid unwarranted sentencing disparities: sentences associated with others convicted of PPP related fraud, and the sentences of co-conspirators in this case. While a relatively small number of defendants have been sentenced to date for offenses related to PPP fraud, judges of this Court and of other Districts have imposed sentences with significant terms of imprisonment. *See, e.g., United States v. Ioannis Kralievits*, Case No. 21-20157-CR-Altonaga (S.D. Fla. June 30, 2021) (sentencing cooperating defendant to 19-month term of imprisonment (following reduction pursuant to 5K1.1) in connection with two fraudulent PPP loans totaling approximately \$824,750); *United States v. David Hines*, Case No. 21-20011-CR-Cooke (S.D. Fla. May 12, 2021) (imposing 78-month term of imprisonment for defendant responsible for a loss of \$3.9 million resulting from multiple fraudulent PPP loans); *United States v. Ganell Tubbs*, 20-00193-CR-Miller (E.D. Ark.) (imposing 41-month term of

imprisonment for defendant responsible for loss of \$1.9 million resulting from two fraudulent PPP loans).

Four other conspirators in this scheme have been sentenced. On July 13, 2021, the court sentenced co-conspirator Tiara Walker to one year and one day, three years of supervised release, and ordered her to pay restitution and forfeiture. *United States v. Walker*, Case No. 20-cr-60159-RAR (S.D. Fla., July 13, 2021). On July 27, 2021, co-conspirator Tonye Johnson was sentenced by the court to 18 months in prison, three years of supervised release, and ordered him to pay restitution and forfeiture. *United States v. Johnson*, Case No. 21-CR-60017-RKA (S.D. Fla.). On September 24, 2021, the court sentenced Brian Arnold to time served, three years of supervised release, including one year of home confinement, 600 hours of community service, and ordered him to pay restitution and forfeiture. *United States v. Arnold*, No. 21-CR-20331 (S.D. Fla.). Unlike defendants Walker and Johnson, the proceeds for Defendant Arnold's fraudulent PPP loan were immediately frozen before he could pay any kickbacks or otherwise spend the funds. Defendants Walker, Johnson, and Arnold had no criminal history points; they each sought fraudulent PPP loans for their own companies, for less than \$500,000 each, and did not refer others to the scheme.² On July 30, 2021, the court sentenced Andre Clark to 33 months imprisonment, three years of supervised release, and ordered him to pay restitution and forfeiture. *United States v. Clark*, Case No. 21-CR-60029 (S.D. Fla.). Defendant Clark sought his own fraudulent PPP loan

² Notably, however, defendant Johnson tested positive for marijuana during the presentence investigation and attempted to conceal his marijuana use from Probation by using a device to provide urine from someone other than the test taker.

and also referred other conspirators to the scheme, and he did so with a significant criminal history.³

The intended loss amount of \$285,742 attributable to the Defendant is an important measure of his relative culpability as compared to co-conspirators in a scheme involving over 90 fraudulent loan applications and over \$34 million in intended losses. That is, the co-conspirators who led and organized the scheme and were involved in preparing or submitting even more fraudulent loan applications will be responsible for a greater intended loss amounts, and a correspondingly higher advisory Guidelines range under Section 2B1.1. A sentence of 18 months for this Defendant, who is being held responsible only for the loss associated with his fraudulent loan, will provide a consistent framework for future sentences of co-conspirators in this conspiracy whose Guidelines correlate to the losses for which they are directly responsible.

V. RESTITUTION & FORFEITURE

Restitution is mandatory in this case pursuant to 18 U.S.C. § 3663A(a)(1). As set forth in the Plea Agreement [ECF No. 41 ¶ 17], the United States and the Defendant have agreed that the Defendant owes restitution in the amount of \$285,742, which represents the loss to Bank 1 as a result of the Defendant's participation in the conspiracy. Restitution is owed joint and severally with the Defendant's co-conspirators charged in at least the following related cases: *United States v. Stote*, 20-4215-MJ-JDG (N.D. Ohio); *United States v. Charno*, 20-4216-MJ-JDG (N.D. Ohio).

* * *

³ Based primarily on his referrals, Clark's loss amount for sentencing purposes was between \$3,500,000 and \$9,500,000. However, unlike Defendant Garcia, Clark ultimately received little money from the scheme, which the sentencing court found to be a significant factor at sentencing.

CONCLUSION

For the forgoing reasons, the United States respectfully recommends that the Court sentence the Defendant to a term of imprisonment of eighteen (18) months, to be followed by a term of supervised release of three (3) years. The United States also requests that the Court order restitution, forfeiture, and a special assessment, consistent with the Plea Agreement [ECF No. 25] and the point and authorities discussed herein.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on September 24, 2021, I electronically filed the foregoing with the Clerk of the Court using CM/ECF.

/s/ Philip Trout _____
Trial Attorney