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Monday, June 28, 2021

Arizona Man Pleads Guilty to Submitting 70 Fraudulent Loan Applications in \$4 Million Covid-19 Relief Wire Fraud Scheme

DENVER – Michael Lain, 56, of Queen Creek, Arizona, pleaded guilty today to wire fraud in front of U.S. District Judge William J. Martinez. His sentencing hearing has been set for December 3, 2021.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided emergency assistance, administered by the United States Small Business Administration (SBA), to small business owners affected by the Coronavirus (COVID-19) pandemic. The two primary sources of funding for small businesses were the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loans (EIDL) program.

From March through June 2020, defendant Michael Lain submitted fraudulent EIDL applications to the SBA on behalf of more than 70 LLCs seeking both loans and grants from the program. In these applications, Lain made false statements about the LLCs' number of employees, gross revenues, and cost of goods sold during the 12 months prior to January 30, 2020. He also falsely agreed to use the funds solely as working capital for the LLCs when he intended to use the funds for other purposes, including the purchase of a new home. Seventy of his EIDL applications were approved and funded by the SBA out of its Denver Finance Center. Because of his false statements, Lain's LLCs received \$3,830,400 in EIDL proceeds and \$336,000 in Economic Injury Disaster Grant (EIDG) proceeds. As part of his plea agreement, Lain has agreed to pay restitution and also to repay \$294,900 that he received as a result of fraudulent PPP applications he also submitted to the SBA.

"Anyone who uses lies and deceit to defraud the generosity of the American taxpayer can expect to find the U.S. Attorney's Office and its law enforcement partners standing guard," warned Deputy U.S. Attorney J. Chris Larson. "Taxpayers want these funds to be used as intended -- to save businesses hit hard by the pandemic, not to line the pockets of criminals."

"Today's announcement should serve as a strong deterrent to anyone contemplating committing COVID-19 related fraud," said Marc DellaSala, Special Agent in Charge, Secret Service Denver Field Office. "Actions taken by the Secret Service, our financial partners and the U.S. Attorney's Office are ensuring that Small Business Administration Economic Injury Disaster Loans are getting to the individuals whose livelihoods have suffered during the global health crisis. The Secret Service is determined to protect the United States

financial infrastructure against individuals and organizations attempting to profit with taxpayer funded stimulus at the expense of America's small businesses."

"Lying to gain access to economic stimulus funds for personal gain will be met with justice," said SBA OIG's Western Region Special Agent in Charge Weston King. "SBA OIG will aggressively pursue evidence of fraud against SBA's programs aimed at assisting the nation's small businesses struggling with the pandemic challenges. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

The United States Secret Service and the Small Business Administration-Office of Inspector General investigated this case in connection with their work on the Colorado-based EIDL Fraud Task Force. Assistant United States Attorneys Pegeen Rhyne and Patricia Davies are handling the prosecution.

CASE NUMBER: 21-cr-00175-WJM

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