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Department of Justice

Office of Public Affairs

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Owner of Wedding Planning Company Pleads Guilty to COVID-19 Relief Fraud

A Texas man pleaded guilty today to filing fraudulent loan applications seeking more than \$3 million in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

According to court documents, Fahad Shah, 44, of Murphy, admitted that he sought over \$3 million in PPP loans from two different SBA-approved lenders. In the first application submitted to one lender, Shah sought over \$1.7 million in PPP loan proceeds by fraudulently claiming that his company, WBF Weddings by Farah Inc. (WBF), employed 126 individuals with an average monthly payroll of over \$700,000. In the second application, Shah sought over \$1.5 million in PPP loan proceeds by fraudulently claiming that WBF had 126 employees with an average monthly payroll of over \$600,000. According to court documents, WBF had only two employees. In connection with both PPP loan applications, Shah submitted fraudulent Employer's Quarterly Federal Tax Return (IRS Form 941) documents for 2019.

Shah admitted that he obtained over \$1.5 million in PPP loan proceeds. Within days of receiving the PPP funds, Shah used over \$1 million in fraudulently obtained proceeds to pay off his home mortgage, purchase securities through his personal investment account, and buy two Teslas, two Freightliner trucks, and a Mercedes Benz van.

Shah pleaded guilty to one count of wire fraud. He is scheduled to be sentenced at a future date and faces a maximum sentence of 20 years in prison. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division; Acting U.S. Attorney Nicholas Ganjei of the U.S. Attorney's Office for the Eastern District of Texas; Special Agent in Charge Amaleka McCall-Brathwaite of the SBA – Office of Inspector General (SBA-OIG); Special Agent in Charge Catherine Huber of the Federal Housing Finance Agency – OIG (FHFA-OIG); Inspector General Jay N. Lerner of the Federal Deposit Insurance Corporation – OIG (FDIC-OIG); Acting Special Agent in Charge Mark Pearson of the IRS Criminal Investigation (IRS-CI) Dallas Field Office; and Inspector General J. Russell George of the Treasury Inspector General for Tax Administration (TIGTA) made the announcement.

The SBA-OIG, FHFA-OIG, FDIC-OIG, IRS-CI, and TIGTA are investigating the case.

Trial Attorneys Della Sentilles and Louis Manzo of the Justice Department's Fraud Section and Assistant U.S. Attorneys Frank Coan and Robert Wells of the U.S. Attorney's Office for the Eastern District of Texas are prosecuting the case.

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%. 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 a set time period and use at least a certain percentage of the loan towards payroll expenses.

The Fraud Section leads the department's prosecution of fraud schemes that exploit the PPP. In the months since the CARES Act passed, Fraud Section attorneys have prosecuted more than 100 defendants in more than 70 criminal cases. The Fraud Section has also seized more than \$60 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds. More information can be found at: <https://www.justice.gov/criminal-fraud/ppp-fraud> .

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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