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Department of Justice

U.S. Attorney's Office

Eastern District of New York

FOR IMMEDIATE RELEASE

Friday, November 12, 2021

Long Island Doctor Pleads Guilty to Covid-19 Loan Fraud

Defendant Used More than \$3 Million in Fraudulently Obtained Small Business Loans to Purchase a Yacht and Other Luxury Items

Earlier today, at the federal courthouse in Central Islip, Konstantino Zarkadas, a Glen Cove-based medical doctor, pleaded guilty to disaster relief fraud and wire fraud in connection with his receipt of millions of dollars in small business loans under the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan Program (EIDL). Today's proceeding was held before United States District Judge Gary R. Brown. When sentenced, Zarkadas faces up to 30 years in prison, as well as forfeiture of \$3,796,849.50 and a fine of up to \$250,000.

Breon Peace, United States Attorney for the Eastern District of New York, Michael J. Driscoll, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI), and Thomas Fattorusso, Special Agent-in-Charge, Internal Revenue Service-Criminal Investigation, New York (IRS-CI), announced the guilty plea.

"The defendant, a medical professional, admits to diverting millions of dollars in COVID-19 disaster relief funds to finance an extravagant lifestyle, including the purchase of luxury watches and vehicles, and the down payment on a yacht," stated United States Attorney Peace. "This Office will vigorously prosecute those who steal from government programs that are designed to help struggling small businesses and families stay afloat during the pandemic."

"It's always a shame to see the rampant abuse of programs designed to help ordinary people struggling through the pandemic. Dr. Zarkadas chose greed over honesty by financing a luxury lifestyle on the backs of America's taxpayers. This case, along with many others, demonstrate IRS-CI is constantly working to weed out financial fraud wherever it may be found. IRS-CI would like to thank the FBI and the U.S. Attorney's Office for the Eastern District of New York for their partnership and investigative efforts on this case," stated IRS-CI Special Agent-in-Charge Fattorusso.

As set forth in court filings, between March 2020 and July 2020, amid the COVID-19 pandemic, Dr. Zarkadas fraudulently applied for, and received, at least 11 PPP and EIDL loans totaling approximately \$3.7 million, on behalf of corporate entities he controlled. Zarkadas laundered the loan proceeds through various bank accounts he controlled, ultimately using the funds for extravagant personal purchases and

other impermissible purposes. For example, in July 2020, Zarkadas used approximately \$194,915.42 in PPP funds intended for distressed small businesses affected by the pandemic to finance the down payment on a \$1.75 million yacht. To conceal the fraudulent nature of the purchase, Zarkadas made the check payable to a family member who was not the ultimate beneficiary of the funds and, in the check's memo line, falsely indicated that the funds were "repayment for payroll." Zarkadas also withdrew tens of thousands of dollars' worth of loan proceeds in cash and used some of the proceeds to satisfy more than \$1 million in judgments against him, to lease luxury vehicles, and to make personal purchases, including several Rolex and Cartier wristwatches which he has agreed to forfeit in today's proceeding.

Congress created the PPP and EIDL as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Enacted on March 29, 2020, the CARES Act provided emergency financial assistance in connection with economic effects of the COVID-19 pandemic. One source of relief provided by the CARES Act was the allocation of funds for the issuance of forgivable loans to small businesses for job retention and certain other expenses through the PPP. The PPP allowed qualifying small businesses to receive unsecured loans on favorable terms, which they were required to use for specified expenses, including payroll costs, interest on mortgages, rent and utilities. The PPP provided for forgiveness of the loan if the recipient businesses spent the proceeds on these specified expenses within a limited time period and used a certain percentage for payroll costs.

Another source of relief provided by the CARES Act was the EIDL, which provided low-interest financing to small businesses, renters, and homeowners in regions affected by declared disasters. Under the program, EIDL recipients were eligible to receive advances of up to \$10,000 for small businesses within three days of applying for an EIDL (EIDL Advance). The amount of an EIDL Advance was determined based on the number of employees working for the applicant. The EIDL Advance did not have to be repaid.

The government's case is being handled by the Office's Long Island Criminal Division. Assistant United States Attorney Anthony Bagnuola is in charge of the prosecution.

The Defendant:

KONSTANTINO ZARKADAS

Age: 48

Glen Cove, New York

E.D.N.Y. Docket No. 21-CR-363 (GRB)

Attachment(s):

[Download Zarkadas Information](#)

Topic(s):

Coronavirus

Component(s):

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