Department of Justice

U.S. Attorney's Office

Eastern District of California

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Eastern District of California Obtains Nation's First Civil Settlement for Fraud on Cares Act Paycheck Protection Program

SACRAMENTO, Calif. — The first civil settlement to resolve allegations of fraud against the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act has been entered into today by the Department of Justice, U.S. Attorney McGregor W. Scott announced.

SlideBelts Inc., an internet retail company and debtor in bankruptcy, and Brigham Taylor, the company's president and CEO, have agreed to pay the United States a combined $100,000 in damages and penalties to resolve allegations that they committed fraud. SlideBelts also repaid the Paycheck Protection Program funds it received.

The CARES Act was enacted on March 29, 2020, 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 Paycheck Protection Program. In April 2020, Congress authorized over $300 billion, and in December 2020, Congress authorized nearly $285 billion in additional Paycheck Protection Program funding.

As part of the settlement, Taylor and SlideBelts admitted that they made false statements to federally insured banks that SlideBelts was not in bankruptcy in order to influence those banks to approve, and the Small Business Administration (SBA) to guarantee, a Paycheck Protection Program loan to SlideBelts. As a result of their false statements, SlideBelts received a Paycheck Protection Program loan for $350,000. Months later, in response to demands by the United States, SlideBelts returned the Paycheck Protection Program funds to the lender. Taylor and SlideBelts also admitted that their statements caused false claims to be made to the SBA in connection with the Paycheck Protection Program loan. This settlement resolves claims that Taylor's and SlideBelts' misconduct violated the False Claims Act and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

The False Claims Act allows the government to recover damages and penalties for the presentation of false claims for payment to the United States. FIRREA allows the government to impose civil penalties for violations of enumerated federal criminal statutes, including those that affect federally-insured financial institutions.

"The defendants made false statements to multiple banks in order to obtain a Paycheck Protection Program loan that should have been disbursed to an honest small business suffering financially from the economic effects of the COVID-19 pandemic," said U.S. Attorney Scott. "The Department of Justice and our partners at the SBA will use all tools at our disposal, including civil fraud statutes, to aggressively pursue those who exploit federal programs intended to help those in need during this national emergency."

"This is a critical time for our nation's small businesses," said SBA OIG's Western Region Special Agent in Charge Weston King. "Greed has no place in SBA programs that are intended to provide assistance to the nation's small businesses struggling with the pandemic's challenges. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

Assistant U.S. Attorney Matthew R. Belz handled the case for the United States. The investigation was conducted with the Office of the Inspector General for the United States Small Business Administration.

Attachment(s):
Download Final_settlement_agreement.pdf

Component(s):
USAO - California, Eastern

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