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SOUTH FLORIDA

Prominent Florida developer got \$900,000 in pandemic loans. Feds charge him with fraud

BY JAY WEAVER

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Developer Eric Sheppard revamped the historic Carillon Hotel on Miami Beach but no longer has a financial interest in the project. He now faces federal charges of fraud involving federal COVID-19 relief loans.

DAVID BERGMAN *Miami Herald File*



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South Florida, long known as the nation's capital of fraud schemes, has incurred more than 140 PPP criminal cases over the past three years, according to the U.S. Attorney's Office. Here are a few.

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During the COVID-19 pandemic, developer Eric Sheppard — best known for revamping the historic Carillon Hotel on Miami Beach along with building adjoining luxury condo towers featuring the Canyon Ranch spa — received about \$900,000 in federal loans designed to keep his businesses afloat.

Instead, he used the money for personal expenses, according to a federal indictment charging him with submitting bogus applications to a U.S. loan

program approved by Congress just after the pandemic struck in 2020. The economic relief program was intended to help small businesses meet payroll and survive during the public health disaster.

Sheppard — the first South Florida real estate developer to be charged with COVID-19 loan relief fraud — was granted bail and pleaded not guilty at his arraignment in Miami federal court on Tuesday. Sheppard, 53, said through his defense lawyers that he “looks forward to clearing his name and being exonerated.”

“Mr. Sheppard, a leading developer, has contributed greatly to his community,” attorneys Jon Sale, Jayne Weintraub and Jonathan Etra said in a statement. “There was nothing false or fraudulent about the applications for any of the loans, and the proceeds were used for their intended purpose.

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“At all times, he acted lawfully to keep a multi-million-dollar construction project open, allowing workers to get paid, despite significant challenges posed by COVID.”

While Sheppard has never faced criminal charges before, he has had a previous legal dispute with a private lender in the Carillon Hotel project and also was involved as an investor with notorious Ponzi schemer and disgraced University of Miami football booster Nevin Shapiro. Sheppard wound up being sued as part of the scandal.

Sheppard, whose records show he lives in a \$4.2 million home in Bal Harbour, first drew attention as a real estate developer 15 years ago when he renovated the historic Carillon Hotel and turned it into an upscale resort complex with a pair of condo towers and the Canyon Ranch spa. The Collins Avenue project put Sheppard and his company, WSG Development, atop Miami Beach's real estate world.



Eric Sheppard — the first South Florida real estate developer to be charged with COVID-19 loan relief fraud — has pleaded not guilty and his defense lawyers said that he “looks forward to clearing his name and being exonerated.”

But the Great Recession hit the real estate and financial markets hard in 2008, including his high-profile Carillon project. Sheppard was sued by his company's lender, Lehman Brothers, which accused him of failing to pay millions of dollars in loans for the redevelopment of the Collins Avenue hotel and resort. The dispute was settled confidentially. Sheppard no longer has a financial interest in the project.

The indictment, filed in June, charges Sheppard with six counts of wire fraud stemming from a half-dozen Small Business Administration loans under the Paycheck Protection Program and another disaster relief program.

Prosecutors say his loan applications for three different companies — HM Management and Development, HM-UP Development Alafaya Trails and HM Four — were “false and fraudulent” and that he used the nearly \$900,000 in proceeds “for his personal use and benefit.” The six loan applications, filed between April 2020 and March 2021, ranged from \$146,457 to \$149,900 and were reviewed by three unidentified lenders under the SBA program and disbursed during the pandemic, according to the indictment filed by Marty Elfenbein, an assistant U.S. attorney in Miami.

Compared to other COVID-19 criminal cases, the indictment charging Sheppard is short on details, such as what he actually claimed on the SBA loan applications for his development companies, including number of employees, payroll expenses and income taxes. There is also no mention of how Sheppard spent the money, other than the allegation that he used the loan proceeds for himself.

Some of the loan money may have been used for Sheppard’s Alafaya Trails shopping center project in Orlando, but it’s not clear from the indictment. His lawyers would not confirm that information.

As the nation’s No. 1 fraud capital, South Florida has led the financial crime wave that followed Congress’ passage of the CARES Act during the pandemic. Starting in 2020, the legislation injected \$650 billion through the SBA’s Paycheck Protection Program into the national economy, with banks reviewing the loans for a fee and the U.S. government forgiving the loans as long as the money was used to pay employees or other overhead expenses.

So far, more than 65 South Floridians have been charged with defrauding the U.S. government’s emergency loan program, submitting more than \$80 million in applications deemed bogus by federal prosecutors. Among them: a businessman using PPP money to buy a \$318,000 Lamborghini; a nurse alleged to have lied about his business to get \$474,000 that was used in part to pay a Mercedes-Benz lease and child support; and a North Miami suburban couple that claimed to be farmers to qualify for \$1 million in relief benefits.

Sheppard, who graduated with a bachelor's degree in economics and finance from Florida State University, describes attaining a robust real estate development career on his LinkedIn page. He highlights developing and building commercial and residential projects in 13 different states, including hotels, condominiums and shopping centers "with values in excess of 1 billion dollars."

Before his 40th birthday in 2008, Sheppard brought the Canyon Ranch resort to Miami Beach's Carillon Hotel and built a reputation as a deep-pocketed and dependable philanthropist.

But at roughly the same time, Sheppard's close relationship with Shapiro, a Miami Beach boyhood friend, brought controversy, financial losses and legal trouble, according to court records. Sheppard, according to court records, was sued by a trustee for Shapiro's bankrupt company as the trustee tried to recover money for his investment victims.

One of South Florida's most infamous con artists, Shapiro sold investors on the idea of buying groceries cheap in one part of the country and selling them in another part for a profit — a wholesale distribution business that collapsed at the same time that Sheppard had completed his signature resort project on Collins Avenue.

Sheppard lost roughly \$2 million, including \$1.3 million in investments with Shapiro's business and an additional \$700,000 in a settlement with the bankruptcy trustee tasked with recouping funds for victims of Shapiro's \$930 million Ponzi scheme.

The settlement resolved a federal lawsuit that alleged Sheppard was not duped by Shapiro's elaborate scam, but rather was an active participant in it. The suit claimed Sheppard used his real estate company, WSG Development, as a personal piggy bank, diverting nearly \$40 million into Shapiro's Capitol Investments USA. It claimed to be in the wholesale grocery distribution business but in reality was just a front for Shapiro's scheme.

The trustee's suit said Sheppard used WSG Development funds to make loans to Capitol. Instead, Shapiro would repay Sheppard at extremely high interest rates, the suit said. But Sheppard's attorney said the accusation was false. His client did not admit to any wrongdoing in the settlement.

"Our view from the get-go was that Eric was a victim in this Ponzi scheme, based on a long and trusting friendship," said his then-defense attorney, Peter Russin.

In September 2010, Shapiro pleaded guilty to securities fraud and money laundering. He was sentenced to 20 years in prison and ordered to pay \$82.7 million in restitution.

[The University of Miami booster gained even wider notoriety](#) when he went public with damning stories of giving \$170,000 in improper gifts to Miami players and recruits, sparking an NCAA investigation. UM self-imposed a two-year bowl ban and voluntarily reduced its recruiting visits. In 2013, the NCAA put the university on probation for three years and took away nine football scholarships and three basketball scholarships.

In 2020, Shapiro was released early from prison amid the pandemic. Citing health conditions, he was allowed to finish his term under home confinement due to the spread of COVID-19 in the prison system.

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Jay Weaver writes about federal crime at the crossroads of South Florida and Latin America. Since joining the Miami Herald in 1999, he's covered the federal courts nonstop, from Elian's custody battle to A-Rod's steroid abuse. He was part of the Herald team that won the 2001 Pulitzer Prize for breaking news on Elian's seizure by federal agents. He and three Herald colleagues were 2019 Pulitzer Prize finalists for explanatory reporting for a series on gold smuggling between South America and Miami.

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