SEALED

DLT USAO#2021R00761

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

UNITED STATES OF AMERICA	*	
	*	
v.	*	**CRIMINAL NO.** JKB 22cr232
	*	
ALEXANDER BARABASH	*	**(Wire Fraud, 18 U.S.C. § 1343; Money**
	*	**Laundering, 18 U.S.C. § 1957; Forfeiture,**
Defendant	*	**18 U.S.C. § 982(a)(1), (a)(2)(A), and (b)(1),**
	*	**and 21 U.S.C. § 853(p))**
	*	
	*	
	*****	

INDICTMENT

COUNT ONE
(Wire Fraud)

The Grand Jury for the District of Maryland charges that:

At all times relevant to this indictment:

Relevant Individuals and Entities

1. The defendant, **ALEXANDER BARABASH** ("**BARABASH**"), was a resident of Maryland.

2. iDesignbuild, LLC ("iDesignBuild") was a construction company formed in Maryland on January 29, 2016. According to the Maryland State Department of Assessment and Taxation, the Subject Business's corporate address is in Sparks Glencoe, Maryland.

3. **BARABASH** was listed as the resident agent for iDesignBuild at the same address in Sparks Glencoe, Maryland.

The Small Business Administration

4. The Small Business Administration ("SBA") was an executive branch agency of the United States government that provided support to entrepreneurs and small businesses. The

mission of the SBA was to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters.

The Paycheck Protection Program

5. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was a federal law enacted in or around March 2020 and designed to provide emergency financial assistance to the millions of Americans who were 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 a program referred to as the Paycheck Protection Program ("PPP"). In or around April 2020, Congress authorized over $300 billion in additional PPP funding.

6. In order to obtain a PPP loan, a qualifying business was required to submit a PPP loan application, which was signed by an authorized representative of the business. The PPP loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications in order to be eligible to obtain the PPP loan. In the PPP loan application, the small business (through its authorized representative) was required to state, among other things, its: (a) average monthly payroll expenses; and (b) number of employees. These figures were used to calculate the amount of money the small business was eligible to receive under the PPP.

7. A PPP loan application was required to be processed by a participating lender, such as a financial institution. If a PPP loan application was approved, the participating lender

funded the PPP loan using its own monies, which were 100% guaranteed by the Small Business Administration ("SBA"). Data from the application, including information about the borrower, the total amount of the loan, and the listed number of employees, was transmitted by the lender to the SBA in the course of processing the loan.

8. PPP loan proceeds were required to be used by the business on certain permissible expenses—payroll costs, interest on mortgages, rent, and utilities. The PPP allowed the interest and principal on the PPP loan to be entirely forgiven if the business spent the loan proceeds on these expense items within a designated period of time and used a certain percentage of the PPP loan proceeds on payroll expenses.

9. PPP Second Draw loans allowed certain borrowers with 300 employees or fewer that previously received a PPP loan to receive a second loan on the same general loan terms as their first PPP loan. To obtain a PPP Second Draw loan, a qualifying business was required to submit a PPP Second Draw loan application signed by an authorized representative of the business. Like the initial PPP application, a PPP Second Draw loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications in order to be eligible to obtain the PPP loan, including with respect to its average monthly payroll expenses and number of employees. Applicants were required to substantiate these payroll figures, typically by submitting tax returns, which were used to calculate the amount of money the small business was eligible to receive. Additionally, in the PPP Second Draw loan application, the small business was required to demonstrate, among other things: (a) that it previously received a "first draw" PPP Loan and would use (or

had used) the full amount only for authorized uses, as described above; and (b) that it had experienced at least a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020.

Financial Institution and Lender

10. M&T Bank was a financial institution with deposits insured by the Federal Deposit Insurance Corporation and headquartered in Buffalo, New York, with offices in Baltimore, Maryland; Buffalo, New York; and elsewhere.

11. M&T Bank was authorized by the SBA to participate in the PPP as a lender to small businesses.

12. PPP loan applications through M&T Bank traveled through the wires of interstate commerce. PPP Borrowers applied for PPP loans issued by M&T Bank online by submitting an electronic PPP loan application (SBA Form 2483) through the Internet. Borrower applications submitted until on or about August 8, 2020, were received by an SBA server located in Virginia, then the lender disbursed the funds to the borrower. Borrower applications submitted after January 11, 2021, were transmitted to a cloud-based platform using servers located in Oregon for initial screening. Once screened, the applications were sent to SBA servers located in Virginia for further processing, then they were returned to the lender for preparation of closing documents.

The Scheme to Defraud

13. Beginning in or about April 2020, and continuing until on or about February 26, 2021, in the District of Maryland, **BARABASH** knowingly and willfully devised, executed and

attempted to execute a scheme and artifice to defraud M&T Bank and to obtain monies and funds under the custody and control of that institution by means of false and fraudulent representations and promises.

Purpose of the Scheme to Defraud

14. It was the purpose of the scheme to defraud for **BARABASH**: (1) to unjustly enrich himself and others by fraudulently obtaining or attempting to obtain PPP loan proceeds; and (2) to conceal his misappropriation of the PPP loan proceeds by laundering the funds.

Manner and Means of the Scheme to Defraud

It was part of the scheme and artifice to defraud that:

15. Between approximately April 2020 and January 2021, BARABASH submitted and caused to be submitted to M&T Bank, by interstate wire transmission, three PPP loan applications on behalf of his company, iDesignBuild: (1) an April 2020 PPP loan; (2) a second, unsuccessful April 2020 PPP loan; and (3) a January 2021 PPP loan.

April 2020 PPP Loan

16. On or about April 9, 2020, **BARABASH**, using the Internet, completed and submitted to M&T Bank a PPP loan application (SBA Form 2483) on behalf of iDesignBuild (the "**April 2020 PPP Loan**"). The loan application, which was electronically signed and initialed by **BARABASH**, represented that iDesignBuild had four employees and an average monthly payroll of $18,750. Within the loan application, **BARABASH** electronically initialed a clause stating that he understood that knowingly providing false information to obtain an SBA-guaranteed loan is punishable under federal law.

17. On April 23, 2020, based on the representations **BARABASH** made and caused to be made on the loan application, M&T Bank funded a PPP loan of $46,800.00, which was credited to an M&T Bank account ending in 3819 ("M&T x3819") held in the name of iDesignbuild, with **BARABASH** as the sole authorized signer for M&T x3819.

Second April 2020 PPP Loan Application and Denial

18. On or about April 25, 2020, just weeks after submitting the application for the **April 2020 PPP Loan** and two days after receiving the $46,800.00 disbursement, **BARABASH** electronically submitted another PPP loan application (SBA Form 2483) to M&T Bank on behalf of the Subject Business. The application represented that the Subject Business had seven employees and an average monthly payroll of $38,777.60, which was three additional employees, and over $20,000.00 in additional average monthly payroll, compared to what **BARABASH** had represented sixteen days prior. The application was for a $96,944.00 PPP loan; however, M&T Bank did not fund the loan because the Subject Business was ineligible to receive another loan after having already received the **April 2020 PPP Loan** just days prior.

19. In support of the unsuccessful PPP loan application, **BARABASH** submitted to M&T Bank: 2019 IRS Forms 941, Employer's Quarterly Federal Tax Return, for every quarter in 2019, as well as a 2019 IRS Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. All of the 2019 IRS Forms 940 and 941 submitted with the PPP loan application were signed by **BARABASH**, yet no 2019 IRS Forms 940 or 941 for iDesignBuild were on file with the IRS.

January 2021 PPP Loan

20. On or about January 20, 2021, **BARABASH** submitted a PPP Borrower Application to M&T Bank on behalf of iDesignBuild (the "**January 2021 PPP Loan**"). Consistent with the standard processing of PPP loan applications submitted after January 11, 2021, the application for the **January 2021 PPP Loan** was transmitted using interstate wires. The application represented that iDesignBuild had 37 employees and an average monthly payroll of $525,227.00, though both figures were several times greater than what **BARABASH** had represented just nine months prior. Based on the representations **BARABASH** made and caused to be made on the loan application, M&T Bank funded a PPP loan of $1,295,000.00, which was credited to M&T x3819 on February 26, 2021.

21. In support of the application for the **January 2021 PPP Loan**, **BARABASH** submitted a fraudulent 2019 IRS Form 940, and fraudulent 2019 IRS Forms 941 for each quarter of 2019. The 2019 IRS Forms 941 should have been identical to the ones **BARABASH** provided for the unsuccessful PPP loan application submitted in April 2020; however, the 2019 IRS Forms 941 submitted in January 2021 reported more than six times the number of employees and nearly $1.5 million more in wages paid in each quarter. As noted above, no 2019 IRS Forms 940 or 941 were ever filed with the IRS.

22. Review of all three PPP loan applications and supporting documents shows that **BARABASH** made inconsistent representations about iDesignBuild's number of employees, average monthly payroll and quarterly payroll in each of the three PPP loan applications that he

submitted in the ten-month period from April 2020 to January 2021. The inconsistencies are summarized in the table below.

	APRIL 2020 PPP LOAN	UNSUCCESSFUL APRIL 2020 PPP LOAN APP.	JANUARY 2021 PPP LOAN
	April 9, 2020	April 25, 2020	January 20, 2021
PPP Borrower Application Form	4 employees; $18,750.00 (avg. monthly payroll)	7 employees; $38,777.60 (avg. monthly payroll)	37 employees; $525,277.00 (avg. monthly payroll)
2019 IRS Form 941 – Q1	N/A	7 employees; $96,077.63 (quarterly payroll)	45 employees; $1,575,689.44 (quarterly payroll)
2019 IRS Form 941 – Q2	N/A	7 employees; $101,653.22	45 employees; $1,575,689.44
2019 IRS Form 941 – Q3	N/A	7 employees; $103,173.46	45 employees; $1,575,689.44
2019 IRS Form 941 – Q4	N/A	5 employees; $86,873.40	45 employees; $1,575,689.44

Receipt and Use of the Fraudulent PPP Loan Proceeds

23. On the basis of the false and fraudulent representations made in the **January 2021 PPP Loan** application, **BARABASH** received $1,295,000.00 in PPP loan proceeds, which M&T Bank disbursed to M&T x3819 on or about February 26, 2021.

24. **BARABASH** attested and certified on each of his PPP loan applications that he would only use PPP loan proceeds on certain permissible expenses such as payroll costs, interest on mortgages, rent and utilities. However, in the weeks and months following M&T Bank's disbursement of $1,295,000.00 in loan proceeds to M&T x3819, **BARABASH** made several purchases from M&T x3819 that were inconsistent with legitimate PPP-authorized purchases.

25. For example, on or about April 26, 2021, **BARABASH** wrote a check for $10,500.00 from M&T x3819 to Southeast Auto Showroom, which partially funded the purchase of a 2016 Chevrolet Corvette vehicle; the rest of the purchase was funded through a line of credit account established in **BARABASH**'s name with M&T Bank. The 2016 Chevrolet Corvette was purchased in the name of **BARABASH**, not iDesignBuild.

26. There were several other large debits from M&T x3819 that appear to be inconsistent with PPP-authorized purchases, including but not limited to: purchases of investment real estate properties in the name of **BARABASH** and self-to-self transactions from M&T x3819 to other accounts held by **BARABASH** at other financial institutions.

<u>The Charge</u>

27. Between in or about April 2020 and in or about February 2021, in the District of Maryland, the defendant,

ALEXANDER BARABASH

did knowingly and intentionally devise a scheme and artifice to defraud M&T Bank and the Small Business Administration ("SBA"), and to obtain money and property from M&T Bank and the SBA, by means of one or more materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted, by means of wire communication in interstate commerce, writings, signs, signals and pictures, to wit: an electronic transmission of a fraudulent PPP loan application and falsified supporting documents.

18 U.S.C. § 1343

COUNTS TWO, THREE, FOUR, FIVE, SIX and SEVEN
(Money Laundering)

The Grand Jury for the District of Maryland further charges that:

1. The allegations in Paragraphs 1 through 26 of Count One are incorporated here.

2. On or about the dates set forth below, in the District of Maryland, the defendant,

ALEXANDER BARABASH

did knowingly engage and attempt to engage in the following monetary transactions by, through, or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than $10,000, that is, the deposit, withdrawal, or transfer of U.S. currency, funds, or monetary instruments, such property having been derived from a specified unlawful activity, that is, wire fraud in violation of 18 U.S.C. § 1343.

COUNT	APPROX. DATE	MONETARY TRANSACTION
Two	March 10, 2021	Check drawn in the amount of $15,000.00 to a certain Title Company toward the purchase of real property located at 7 Fila Way, Sparks Glencoe, Maryland 21152
Three	March 24, 2021	Check drawn in the amount of $25,000.00 to a certain Title Company toward the purchase of real property located at 14044 Fox Hill Road, Sparks Glencoe, Maryland 21152
Four	April 2, 2021	Check drawn in the amount of $10,500.00 to a certain Auto Showroom toward the purchase of 2016 Chevrolet Corvette
Five	April 12, 2021	Check drawn in the amount of $36,000.00 to a certain Title Company toward the purchase of real property at 7 Fila Way, Sparks Glencoe, Maryland
Six	April 30, 2021	Wire transfer in the amount of $435,000.00 to a certain Title Company toward the purchase of real property
Seven	May 21, 2021	Wire transfer in the amount of $170,867.88 to a certain Title Company toward the purchase of real property

18 U.S.C. § 1957

FORFEITURE ALLEGATION

The Grand Jury for the District of Maryland further finds that:

1. Pursuant to Fed. R. Crim. P. 32.2, notice is hereby given to the defendant that, in the event of the defendant's conviction on Counts One through ~~Nine~~ Seven of this Indictment, the United States will seek forfeiture as a part of any sentence in accordance with 18 U.S.C. § 982(a)(1), (a)(2)(A), (b)(1) and 21 U.S.C. § 853(p).

Wire Fraud Forfeiture

2. Upon conviction of the offense alleged in Count One of this Indictment, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(2)(A), any property constituting or derived from proceeds obtained directly or indirectly, as the result of such offense.

Money Laundering Forfeiture

3. Upon conviction of the offenses alleged in Counts Two through Seven of this Indictment, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(1), any property, real or personal, involved in such offenses, or any property traceable to such property.

Substitute Assets

4. If, as a result of any act or omission of the defendant, any of the property described above as being subject to forfeiture:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third person;

c. has been placed beyond the jurisdiction of the Court;

d. has been substantially diminished in value; or

e. has been commingled with other property that cannot be subdivided without difficulty;

the United States shall be entitled to forfeiture of substitute property up to the value of the forfeitable property described above pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b)(1).

Property Subject to Forfeiture

5. The property to be forfeited includes, but is not limited to, the following:

(1) a money judgment in the amount of at least $1,295,000.00 in U.S. currency;

(2) $504,869.54 in funds seized on December 23, 2021, from M&T Bank account ending in x3819 in the name of iDesignBuild LLC (Asset ID: 22-USS-000113);

(3) a 2016 Chevrolet Corvette, Vehicle Identification Number 1G1YU3D6195609627, registered to defendant **BARABASH**;

(4) the real property located at 7 Fila Way, Sparks Glencoe, Maryland 21152; and

(5) the real property located at 14044 Fox Hill Road, Sparks Glencoe, Maryland 21152.

18 U.S.C. § 982(a)(1), (a)(2)(A), and (b)(1)
21 U.S.C. § 853(p)

(for Erek L. Barron)

Erek L. Barron
United States Attorney

A TRUE BILL:

SIGNATURE REDACTED

Foreperson

6/29/2022

Date