ATTACHMENT A

STIPULATION OF FACTS

The undersigned parties stipulate and agree that if this case had proceeded to trial, this Office would have proven the following facts beyond a reasonable doubt. The undersigned parties also stipulate and agree that the following facts do not encompass all of the evidence that would have been presented had this matter proceeded to trial.

Defendant David Epstein, born June 1978, is a resident of Baltimore County, Maryland. Beginning in May 2020 and continuing through February 2021 in the District of Maryland, Defendant engaged in a scheme to defraud financial institutions, including Cross River Bank, Bluevine, Celtic Bank, Liberty SBF, and the United States Small Business Administration (SBA), to obtain fraudulent loans for his business PEI Staffing (PEI), a temporary staffing company, under the Paycheck Protection Program (PPP), and the Economic Injury Disaster Loan (EIDL) program.

For the purpose of executing and attempting to execute this scheme to defraud, Defendant knowingly and willfully transmitted and caused to be transmitted by means of wire communications, in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, in violation of 18 U.S.C. § 1343.

Ultimately, Defendant fraudulently obtained $1,307,170 in PPP funds in connection with the scheme. He used these funds to make extensive renovations to his house and to install a pool there, to purchase a Mercedes-Benz vehicle, and to pay various personal debts and debts unrelated to PEI, including debts belonging to a business that Defendant was attempting to start called Stafquik.

Defendant's criminal acts are described in further detail below.

Defendant Fraudulently Obtains A PPP Loan For PEI

PPP loans were a source of emergency financial assistance enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These forgivable loans were targeted toward the millions of American small businesses who were suffering the economic effects caused by the COVID-19 pandemic. 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. The business, in turn, was required to use the PPP funds only for certain permissible expenses—payroll costs, interest on mortgages, rent, and utilities.

On April 30, 2020, Defendant submitted a fraudulent PPP loan application to Celtic Bank, through Bluevine, in the name of his business PEI, seeking approximately $1,307,170 in PPP funds. The submission of the application effected an interstate wire from Maryland to West Virginia, the location of Blue Vine's servers.

The PPP loan application contained multiple material misrepresentations, including that PEI had 382 employees and an average monthly payroll of $522,868. In fact, IRS Forms 941 for PEI Staffing show that in the first quarter of 2020, the business had 134 employees and in the second quarter that it had just 79 employees. Further, Forms 941 for PEI Staffing from 2019 show a steady decline in the number of PEI Staffing's employees in 2019, as follows: First Quarter – 493 employees; Second Quarter – 454 employees; Third Quarter; 154 employees; Fourth Quarter

– 128 employees. And in an EIDL application Defendant submitted for PEI on April 2, 2020—one month before he submitted the PPP loan application—Defendant claimed that PEI had 220 employees.

In support of the PPP loan application, Defendant submitted a fictitious February 2020 bank statement for a SunTrust bank account ending in x2836 that purported to be a bank statement of PEI. In truth, this account was not in the name of PEI but instead was in the name of Stafquik. Defendant had earlier altered the bank statement for the purpose of submitting it in connection with PPP applications for PEI. Defendant had earlier placed a phone call to Bluevine in which he discussed the status of the PPP application and the need for him to upload a February 2020 bank statement for PEI.

Further, Defendant electronically signed the PPP application and agreed to the following restriction on the use of PPP funds in the application:

> The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.

Defendant placed his initials next to this box on the application, signifying that he understood this provision.

In the application, Defendant also falsely answered "NO" to the following question: "Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A." In fact, when submitting the applications, Defendant was a common manager of both PEI Staffing and Stafquik: He was the Chief Executive Officer of PEI Staffing and the President of Stafquik.

On May 4, 2020, based on the false representations and fraudulent submissions made on behalf of Defendant as the owner of PEI, the PPP loan was funded, and approximately $1,307,170 was distributed through an ACH transfer sent to a bank account in the name of Stafquik (SunTrust account ending in x2386) controlled by Defendant.

After his receipt of the PPP funds, Defendant on May 4, 2020, established two personal accounts at SunTrust and on May 8, 2020, establish two personal accounts at Capital One Bank, for which he was the sole signatory. Defendant routinely transferred the PPP funds to these newly established accounts and among the accounts for the apparent purpose of concealing their source as PPP funds.

Defendant's Use Of The PPP Loan Funds

Defendant spent the fraudulently obtained PPP funds in multiple ways that were impermissible under the PPP. One day after receiving the PPP funds, on May 5, 2020, Defendant made an ACH transfer in the amount of $110,356.48 from the SunTrust account ending in x2386 to Mercedes-Benz Financial in connection with a payment for a 2019 Mercedes-Benz GT43C4 automobile previously purchased by Defendant.

On May 7, 2020, Defendant obtained an official check in the amount of $20,000 from the SunTrust account ending in x2386, which Defendant provided to Lender 1, an entity which had in or about December 2019 provided a loan in the amount of $50,000 to Stafquik. On the memo line of the check, Defendant wrote "Rent payments May 2020/June 2020" in an attempt to obscure the purpose of the check. In fact, the payment was not for rent but instead for loan repayment to Lender 1.

Beginning on May 20, 2020, and continuing through in or about August 2020, Defendant transferred approximately $138,522.22 in PPP funds to a contractor in connection with extensive renovations to Defendant's home and installation of a pool there.

Defendant also used the PPP funds to pay $100,000 in connection a settlement agreement pertaining to a 2013 litigation involving unpaid insurance premiums and to pay off a $344,341.05 debt related to funds Defendant misappropriated from a business partner (Lender 2) and used for personal expenses. None of these were permissible uses of the PPP funds.

Defendant likewise used the PPP funds to pay various personal expenses (including a trip to a luxury golf resort) and provided PPP funds to various family members and associates for purposes unrelated to employment with PEI (including his family's nanny), making withdrawals for himself, and paying off various personal debts.

Defendant also attempted to repeatedly add individuals whom he owed money to PEI's payroll to make it appear as though they were employees when they were not. He also attempted to hide the size of the PPP loan he received, concealing it from his family members, other employees of PEI, and various business partners whom he owed money.

Defendant Seeks To Obtain Additional EIDL Funds

On November 18, 2020, Defendant electronically submitted a fraudulent application for an EIDL to the SBA, seeking approximately $150,000 in funds. The application falsely represented that Stafquik had three employees and gross revenues of $428,571 as of January 31, 2020. The loan closed; however, the loan funds were never ultimately disbursed to Defendant as the bank account that they were deposited into was closed due to suspected fraud.

Defendant has to date made no payments to Celtic Bank in connection with the fraudulently obtained PPP loan funds, and the entire loan balance is outstanding.

Defendant executed the fraud scheme discussed herein, in part, through the use of mobile phones, the internet, multiple email accounts, and bank deposits and transfers, all of which involved interstate wires, and Defendant was in Maryland when he transmitted wires in furtherance of the scheme to defraud.

SO STIPULATED:

Paul A. Riley
Assistant United States Attorney

09/16/2024
Date

David Henry Epstein
David Epstein
Defendant

10/8/24
Date

Richard Bardos, Esq.
Counsel to Defendant