

UNITED STATES DISTRICT COURT

for the

Northern District of Ohio

FILED

8:57 am Jun 24 2020

Clerk U.S. District Court Northern District of Ohio Cleveland

United States of America v. JAMES RICHARD STOTE

Case No. 1:20MJ4215-JDG

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of May 15, 2020 - June 24, 2020 in the county of Cuyahoga in the Northern District of Ohio, the defendant(s) violated:

Table with 2 columns: Code Section, Offense Description. Row 1: 18 U.S.C. §§ 1343, 1344, 1349, and 2; Wire fraud, bank fraud, and attempt and conspiracy to commit wire fraud and bank fraud

This criminal complaint is based on these facts:

SEE ATTACHED AFFIDAVIT

Continued on the attached sheet.

Handwritten signature of Matthew E. Scalisi

Complainant's signature

Matthew E. Scalisi, Special Agent, FBI

Printed name and title

Sworn to via telephone after submission by reliable electronic means. Fed. R. Crim. P. 3, 4(d), and 4.1.

Date: 06/24/2020

Handwritten signature of Jonathan D. Greenberg

Judge's signature

City and state: Cleveland, Ohio

Jonathan D. Greenberg, U.S. Magistrate Judge

Printed name and title



AFFIDAVIT

I, Matthew E. Scalisi, being first duly sworn, depose and state under oath as follows:

INTRODUCTION AND AGENT BACKGROUND

1. I make this affidavit in support of a criminal complaint charging JAMES RICHARD STOTE (“Stote”) and ROSS CHARNO (“Charno”) (together, “Defendants”) with wire fraud, bank fraud, and attempt and conspiracy to commit wire fraud and bank fraud, in violation of 18 U.S.C. §§ 1343, 1344, 1349, and 2 (the “Target Offenses”), from on or about May 15, 2020 to on or about June 24, 2020, in the Northern District of Ohio, Eastern Division.

2. In summary, Defendants have devised and participated in a scheme to obtain by fraud millions of dollars in loans through the Paycheck Protection Program (“PPP”), expecting the federal government to forgive those loans. Defendants obtained these PPP loans both for their own companies and for others’ companies. When they obtained PPP loans for other companies, Defendants expected to receive—and did receive—sizable kickbacks. To inflate the size of these PPP loans, and their corresponding kickbacks, Defendants relied on a variety of false statements, including by submitting falsified bank statements and tax forms. For example, Defendants used nearly identical versions of the same fabricated bank statement in the PPP applications for multiple companies. A number of these loans were approved and funded by financial institutions, and certain proceeds were transmitted to accounts controlled by Stote.

3. I am a Special Agent with the Federal Bureau of Investigation (“FBI”), and have been since July 7, 2019. As a Special Agent with the FBI, I am assigned to the Complex Financial Crimes Squad. I have obtained extensive training and experience within the FBI on investigating financial crimes leading to federal prosecutions. Prior to becoming a Special Agent with the FBI, I was a Special Agent with the United States Secret Service (“USSS”) from July of

2016 to July of 2019. While working out of the Chicago Field Office within the USSS, I was assigned to the Financial Crimes Unit. I have worked on multiple financial crimes cases that involved wire fraud, bank fraud, aggravated identity theft, and other frauds and swindles. Recently, I have been assigned to work with the U.S. Department of Justice and other law enforcement partners to investigate possible fraud associated with the stimulus and economic assistance programs created by the federal government in response to the COVID-19 program.

4. The facts in this affidavit come from my personal observations, my training and experience, and information obtained from other agents and witnesses. The facts contained herein have been obtained by interviewing witnesses and examining documents obtained in the course of the investigation as well as through other means. This affidavit is intended to show merely that there is sufficient probable cause for the requested warrants and does not set forth all of my knowledge about this matter.

FACTS AND CIRCUMSTANCES REGARDING PROBABLE CAUSE

The Paycheck Protection Program

5. The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act is a federal law enacted in or around March 2020 and designed 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 a program referred to as the Paycheck Protection Program. 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 must submit a PPP loan application, which is signed by an authorized representative of the business. The PPP loan

application requires 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) must state, among other things, its: (a) average monthly payroll expenses; and (b) number of employees. These figures are used to calculate the amount of money the small business is eligible to receive under the PPP. In addition, businesses applying for a PPP loan must provide documentation showing their payroll expenses.

7. A PPP loan application must be processed by a participating financial institution (the lender). If a PPP loan application is approved, the participating financial institution funds the PPP loan using its own monies, which are 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, is transmitted by the lender to the SBA in the course of processing the loan.

8. PPP loan proceeds must be used by the business on certain permissible expenses—payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on the PPP loan to be entirely forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses a certain amount of the PPP loan proceeds on payroll expenses.

Fraudulent PPP Loan in the Name of Company 1

9. A confidential human source (“CHS 1”) and his son, Person 6, are affiliated with Company 1. Company 1 has a bank account ending in 6891 (the “Company 1 Account”) at Bank 1, a financial institution headquartered in Cincinnati, Ohio, with branch locations within the

Northern District of Ohio.¹ Although Person 6 is the signatory on the Company 1 Account, CHS 1 has admitted he largely controls the Company 1 Account. According to CHS 1, Company 1 does its banking and accesses its funds at branch locations within the Northern District of Ohio.

10. On or about May 20, 2020, Defendants finalized an application on behalf of Company 1 for a \$554,232 PPP loan from Bank 2 in New Jersey through Bank Processor 1, a financial technology company that enables businesses to apply for PPP funds online. Person 1 was listed as Company 1's owner in the application. Company 1's application was approved, and the funds were then wired from an account outside of Ohio to the Company 1 Account in Ohio. However, after the wire was transmitted, Bank 1 placed a hold on the account to allow a review of the transaction.

11. The PPP loan to Company 1 was based on falsified records and material misrepresentations. For example, the application stated that the purpose of the loan was for "Payroll" and nothing else, when, in fact, CHS 1 and Defendants had agreed that CHS 1 would pay Defendants a kickback fee of approximately 25% of the loan. The application also included purported Internal Revenue Service ("IRS") Forms 941 (titled, "Employer's Quarterly Federal Tax Return") for all four quarters of 2019. The purported tax forms show quarterly payroll of more than \$665,000 each quarter, for 25 employees—which would mean average annual wages of more than \$100,000 per employee. Similarly, the PPP loan application states that "Average Monthly Payroll" was \$221,693. Text messages from CHS 1's phone also show that CHS 1 informed Charno that Company 1 had only six employees. In an interview with law enforcement, CHS 1 admitted that these were not real IRS Forms 941 submitted to the

¹ All banks referenced in this affidavit are insured by the Federal Deposit Insurance Corporation.

government, because he had not, in fact, filed any IRS Forms 941 for Company 1 for 2019. CHS 1 said that he did not ask Charno or Stote to prepare these forms for the submission of Company 1's PPP loan, and had not provided them with any payroll figures.²

12. IP address records for the submission of this loan application show that it was submitted from Stote's known residence on Bogota Avenue in Hollywood, Florida (the "Stote Bogota Residence").³

Statements by CHS 1 about Company 1

13. On or about June 8, 2020, investigators approached CHS 1 and asked to speak with him. During that conversation, CHS 1 admitted that he had been instructing Person 6 in Person 6's participation in the scheme. CHS 1 admitted that he had also been using Person 1's personally identifying information in the loan transaction to cause the application to be made without asking for Person 1's permission. CHS 1 stated that Company 1 had approximately four employees. CHS 1 denied knowing the details of the loan application.

² The application also included a document that purported to be the February 2020 bank statement for the Company 1 Account. However, that document is an edited version of the true statement for the same account for that month, with changes to the descriptions and amounts of many line entries. The effect of these edits was to drastically inflate the volume of debits and credits, vastly overstate the balance in the account at all times, and misrepresent the nature of many of the transactions. In a later interview with law enforcement, CHS 1 admitted to altering the true statement to make the above-noted changes. CHS 1 stated that he had provided this bank statement to Stote and Charno in or around March 2020 without telling them that it was falsified. CHS 1 also reported that he does not believe that they knew he had altered the statement. These statements of CHS 1 are from interviews after he had obtained counsel and chose to cooperate with investigators in the hopes of receiving favorable consideration in connection with his pending case.

³ BlueVine records showed that its portal was accessed for this loan between May 15 and May 26 from an internet connection with the IP address 76.108.129.170. According to Comcast records for the account assigned that IP address at the times of the later logins in this process (between May 20 and May 26, 2020), the account that matched was one for high speed internet service at the Stote Bogota Residence, in the name of Person 4, with Stote's known phone number as the contact phone number.

14. After obtaining counsel and deciding to cooperate with the investigation, CHS 1 agreed to an additional interview on June 9, 2020. During that interview, CHS 1 stated that he had used Person 1 and Person 6's identities to operate Company 1. He also used Person 1's identity in other business dealings, including in dealings with Stote and Charno. CHS 1 also stated that the PPP loan for Company 1 had been submitted by a financial business in Florida, operated by Stote (going by "Jim") and Charno (going by "Ross"). CHS 1 had gotten in touch with Stote and Charno months prior when he was looking for a business loan. CHS 1 explained that he was a contractor but needed more capital to handle all the jobs.

15. According to CHS 1, in or around May 2020, Stote and Charno contacted him about an opportunity for a loan and asked CHS 1 for some information, which CHS 1 provided. They told CHS 1 they were getting large loans for other businesses. Subsequently, CHS 1 realized that the loan Defendants were seeking, and had applied for on behalf of Company 1, was a PPP loan. He also understood that the application had to be based on false information.⁴

16. On or about June 12, 2020, investigators conducted another interview with CHS 1. During that interview, CHS 1 admitted that he had fabricated multiple Company 1 Account bank statements. CHS 1 claimed that he first fabricated the bank statements in an effort to obtain business loans before the PPP had been implemented.

Fraudulent PPP Loan in the Name of Company 2

17. Company 2 is a construction company operated under the name of Person 2, a relative of CHS 1. In May 2020, Company 2 obtained a \$320,767 PPP loan from Bank 3, one of Bank Processor 1's two participating lenders in the PPP program.

⁴ CHS 1 stated that, although he had not seen or known of the Forms 941 submitted with his loan application, he knew records of that kind would be required for a PPP loan, and he knew better than to take chances with tax forms from his prior criminal cases.

18. When interviewed on or about June 12, 2020, CHS 1 stated that after the PPP loan for Company 1 was approved in May 2020, he had arranged for Stote and Charno to obtain another PPP loan for another company he controlled (Company 2). According to CHS 1, Company 2 does not have any employees, and CHS 1 is its true manager.

19. CHS 1 did not recall providing Stote or Charno with any information about Company 2's payroll or its number of employees. CHS 1 explained during his interview that he did not think that it was necessary to provide employment information for Company 2 because Stote and Charno had informed him, in connection with the Company 1 loan, that they had a connection at the bank that would ensure that their loan applications were approved. CHS 1 explained that he understood that "the fix was in."

20. According to CHS 1, after Company 2's PPP loan was approved, CHS 1 received instructions to wire Stote and Charno approximately \$80,000 of the loan proceeds (approximately 25% of the total loan proceeds received in the name of Company 2). CHS 1 stated that he received wiring instructions in an email authored by Stote and forwarded to him by Charno. CHS 1 thereafter caused the approximately \$80,000 payment to be wired to a bank account chosen by Stote and Charno.⁵

Text Messages and Emails Between CHS 1, Stote, and Charno

21. On or about June 8, 2020, CHS 1 consented to law enforcement searching his personal telephone. A review of the contents of CHS 1's cellular phone revealed various relevant records, including text messages and emails between CHS 1, Stote, and Charno,

⁵ CHS 1 admitted in this June 12 interview that he had not told the complete truth in his June 9 interview and should have disclosed the Company 2 loan to investigators when asked about the extent of his loan activity.

discussing the PPP loans for Company 1 and Company 2, as well as other business, including the purchase and sale of personal protective equipment (“PPE”) to meet the rising demand amid the coronavirus and COVID-19 pandemic.⁶

22. In April 2020, CHS 1 emailed and texted with Stote and Charno about other attempts to obtain loans for CHS 1’s businesses and to improve the credit profiles of Person 1, Company 1, and Company 2.

23. Various messages corroborated CHS 1’s report that Stote and Charno worked together, with Charno appearing to work below Stote or at Stote’s direction. Examples include the following messages from Charno: “Did Jim reach u. He needed a few things.”; “Just got off with jim. He needed the stuff cause he just bought your tradelines for your corp. And your sisters corp.” Further, the messages showed Stote and Charno taking turns messaging CHS 1 about the same subject, including their kickback for the PPP loan.

24. On or about May 15, 2020, Charno began pushing CHS 1 to provide information for a loan, with the following messages:

Pls call right after. New loan program must get u in fast

Trying to get u some money at 1 percent for 2 years

Fwd:Ss#

Date of birth

Phone number

Home address

⁶ References to phone communications with Stote and Charno throughout this affidavit refer to communications with the following telephone numbers: Stote’s phone number ending in 6662 (the “Stote Phone”) is saved as a contact in CHS 1’s phone as “Jim/Ross”; and Charno’s phone number ending in 5668 (the “Charno Phone”) is saved as a contact in CHS 1’s phone as “Ross/Stanley,” with Stanley being another name CHS 1 associated with Charno. In email communications, unless otherwise noted, Stote was using jimstote66@gmail.com, and Charno was using rosscharno@gmail.com. CHS 1 used email addresses with a Company 1 domain and a Gmail address. In all quotations, the grammar and spelling appears in the messages recovered from CHS 1’s phone as quoted, unless otherwise noted.

How many employees he has

After CHS 1 responded with the requested information, including that Company 1 had six employees, Charno replied, “This is an approval we just got.” He added, “For another client,” and attached a screenshot showing an approval for “\$244,062.00.” CHS 1 provided additional contact information and the account and routing numbers for the Company 1 Account. Charno then responded with a screenshot showing, “You qualify for \$554,232,” and stating that confirmations and instructions would be sent.

25. On or about May 20, 2020, the Company 1 loan was processed and funded. In the following days, Charno repeatedly messaged CHS 1 to inquire about whether CHS 1 had received the loan and why it was taking so long. By May 26, 2020, Charno stated, “Funds should have cleared for sure”; “Everyone elses did.”

26. Investigators also recovered an email from Stote to Charno that was forwarded to CHS 1 on or about May 25, 2020. In the forwarded message, Stote wrote to Charno that the wire for Person 1 “is 138,558.25”—the equivalent of 25% of the PPP loan for Company 1—and should be sent to a Bank 5 account ending 8588 in the name of “USA Homes and Remodeling Inc” (the “USA Homes 8588 Account”).⁷

27. Investigators also recovered numerous text messages and emails from CHS 1’s phone that show Charno’s efforts to obtain a loan for Company 2 beginning soon after Company 1’s loan was approved.

28. On May 25, 2020, Charno and CHS 1 exchanged the following messages (messages labeled “To:” were outgoing to the Charno Phone, labeled “Ross/St Stanley” in CHS 1’s

⁷ Bank records confirm that Stote is the signor of the USA Homes 8588 Account, with account statements addressed to the Stote Bogota Residence.

phone, while messages labeled “From:” were incoming):

Date/Time	To/From & Contact Number and Name	Content
5/25/2020 5:56:16 PM	From: +1[XXXXXXX]5668 Ross/Stamley	Hey when r u sending that info
5/25/2020 5:56:34 PM	To: +1[XXXXXXX]5668 Ross/Stamley	Emailed it already
5/25/2020 5:56:51 PM	From: +1[XXXXXXX]5668 Ross/Stamley	I didnt get it
5/25/2020 5:56:57 PM	From: +1[XXXXXXX]5668 Ross/Stamley	Where did u send
5/25/2020 5:57:10 PM	To: +1[XXXXXXX]5668 Ross/Stamley	Your gmail
5/25/2020 5:57:33 PM	From: +1[XXXXXXX]5668 Ross/Stamley	K i sent u an intake sheet she has to fill out
5/25/2020 5:58:29 PM	To: +1[XXXXXXX]5668 Ross/Stamley	To where?
5/25/2020 5:58:33 PM	From: +1[XXXXXXX]5668 Ross/Stamley	Got the check thx
5/25/2020 5:58:48 PM	From: +1[XXXXXXX]5668 Ross/Stamley	Ur info email
5/25/2020 5:59:29 PM	To: +1[XXXXXXX]5668 Ross/Stamley	Got it

29. Emails reviewed on CHS 1’s phone corroborate this exchange and CHS 1’s report about the arrangements for the Company 2 loan. For example, at approximately 5:58pm on May 25, 2020 (the same time Charno texted that CHS 1 should check his “info email”), Charno sent CHS 1 an email (at info@[Company 1].com), attaching a Word document. CHS 1 responded at 7:59pm, sending Charno a Word document titled, “FS FINANCIAL SERVICES INFORMATION INTAKE SHEET,” with identifying information about Person 2 and Company 2, including a Company 2 account at Bank 4 ending in 0776 (the “Company 2 Account”). However, a section at the end marked “BELOW IS OFFICE USE ONLY” included blank fields for the “Number of Employees,” “Monthly Payroll Expense,” and “SBA Loan Pre-Approval Amount,” and those fields were left blank.

30. That night, CHS 1 sent Charno an email with a copy of a February 2020 Bank 4

statement for the Company 2 Account showing minimal activity that month, with an ending balance of \$6,423.08.

31. Charno and CHS 1 continued to exchange text messages about the application in the following days.

a. On May 29, Charno wrote, “Pls call me. Ur sister should have gotten stuff by now.”; “80190 is the amount for [Company 2] that needs to be wired.” Charno then provided wiring instructions to the USA Homes 8588 Account as written in the May 25 email described above.

b. On May 30, Charno asked, “did [Company 1’s FIRST NAME] money hit?” CHS 1 responded that it had not.

c. On June 1, Charno texted, “Pls send a confirm on the wire. I know ur busy but they are asking.” CHS 1 indicated Person 2 had an appointment that day regarding the loan.

d. CHS 1 then forwarded a message that he had received from Person 2 that said “Done” and attached a picture of a Bank 4 “Wire Transfer Outgoing Request” of \$80,190 from an account of “[Company 2]” to the USA Homes 8588 Account.⁸

32. Stote and Charno also continued to exchange messages with CHS 1 about the issues CHS 1 was having with the Company 1 PPP loan and the expected kickback on that loan.

a. On June 5, Charno wrote, “Hey its 152258.00. Do u have the instructions already?”

b. On June 8, Stote texted CHS 1 with revised wiring instructions. Stote

⁸ Records from the USA Homes 8588 Account confirm that an incoming wire of \$80,190 posted to the account on June 1, 2020. SBA records also confirm that Company 2 did receive a \$320,767 PPP loan from Bank 3. CHS 1 confirmed that Company 2 had received the loan.

stated, “[Person 1 first name] here are the wire instructions,” and identified an account in the name of “FS Financial Inc” ending in 0640 (the “FS Financial 0640 Account”), and provided the Stote Bogota Residence.

CHS 1’s Text Messages and Recorded Calls with Stote and Charno during his Cooperation

33. As part of CHS 1’s cooperation with the investigation, he agreed to make recorded phone calls to Stote and Charno, to exchange controlled text messages with them, and to document and share copies of messages exchanged outside the presence of investigators. While investigators were interviewing CHS 1 within the Northern District of Ohio on June 9, 2020, and examining his phone with him, Charno called CHS 1. That call went unanswered, but CHS 1 then made a recorded call to Charno at the Charno Phone in the presence of investigators. During the conversation, CHS 1 said he had gone to the bank earlier that day and was expecting the money to be released that Friday. CHS 1 and Charno also discussed potential sales of PPE equipment.

34. On Friday, June 12, 2020, investigators again observed that Charno was calling CHS 1 during an interview. CHS 1 did not pick up and instead responded that he would call Charno back.

35. That afternoon, CHS 1 made a recorded call to Charno during which CHS 1 and Charno discussed buying and selling PPE related to the COVID-19 pandemic, and also discussed CHS 1’s efforts to release the funds on the Company 1 PPP loan. CHS 1 also indicated that he had a friend to refer to them as a new customer for a loan.

36. Shortly after, CHS 1 made a recorded call to Stote in which CHS 1 said he had just discussed with Charno that the loan proceeds would be released early the next week and thanked Stote for helping him. CHS 1 told him he was passing along another loan referral to

Charno.

37. After that call, CHS 1 sent a text message to Stote asking if the wire instructions that Stote had sent on Monday were still correct. Stote responded, “Yes Thanks.”

38. On June 16, 2020, CHS 1 discussed with Stote and Charno the status of the Company 1 loan and the resulting kickback. At approximately 11:42 am, Stote texted CHS 1, “Hows it looking for today sending that wire?” At approximately 1:40 pm, CHS 1 placed a recorded call to Stote in which they discussed the increase in the wire amount, and Stote said the fee on other loans that he and Charno would obtain for Company 1 is 15%. He explained that the fee for this loan is 25% because it is a PPP loan; there are seven other people working with him on the PPP loans, and they set the terms.

39. CHS 1 also placed a recorded call to Charno that afternoon, during which Charno said that there have been other issues with delays in payment of the loans. Charno placed those issues in context by explaining that they had done 75 loans already. They also discussed Charno’s desire for CHS 1 to help him locate a seller of PPE.

Stote and Charno’s Wider PPP Loan Fraud Scheme and Stote’s Movement of Proceeds

40. In addition to the PPP loans for Company 1 and Company 2, Stote and Charno have submitted numerous PPP loan applications, and the evidence suggests that many, if not all, of those applications are fraudulent.

41. As described above, Charno sent screenshots showing approvals for another loan, and when the Company 1 loan was delayed in clearing, Charno stated that it should have cleared because “Everyone elses did.” Charno also stated they had facilitated 75 loans as of mid-June.

42. Investigators have obtained several other PPP loan applications that were submitted on behalf of entities connected to Defendants and have indicia of having been

produced in the same fraudulent process that generated the PPP loan applications for Company 1 and Company 2. Multiple applications included a near-replica of the falsified Company 1 Account February statement, with identical figures and line items throughout the statement.⁹ Similarly, each of the following application included: (1) IRS Forms 941 that bear the same indicia of falsification shown in the Company 1 Forms 941, which CHS 1 has admitted were fabricated;¹⁰ and (2) IP address logs in the BlueVine system for the submission of some or all of the application that are connected to the same IP address associated in BlueVine's records with the submission of the Company 1 loan, as well as other indicia of fraud described in the following paragraphs:

- a. Company 3, from Davie, FL, received a PPP loan for \$666,912.00,

⁹ Those identical figures include a "Total Combined Monthly Average Balance" of "\$391,264.80" and an "Ending Balance" of "\$362,220.38." The only apparent changes from the falsified Company 1 statement are the account number and the name of the company/account holder, and an apparently inadvertent change in the document's primary font, which does not match the font used in true Bank 1 statements. Every line item and other detail of those statements is unchanged—including the location of the transactions, which would suggest the purported Florida and Georgia companies operate primarily in northeast Ohio. In addition, analysis of the metadata for those statements indicates that a PDF-editing program was used to modify and create the PDF document.

¹⁰ Based on my training and experience, and an analysis of the contents of these documents, I believe these documents are fabricated and false. The indicia of falsification and fraud include that at least three of the four quarterly Forms are identical in all respects for each company, down to the penny. They also evidence a pattern of payroll spending that is likely false: each of the quarters shows significant increases from the first to second to third month of the quarter, with the same figures for the tax liability incurred in the first month of each quarter, the same figure for the second month of each quarter (increased substantially from the first month), and the same figure for the third month of the quarter (increased substantially from the second month). The result is that the company reports a perfectly repeating cycle of ascending payroll costs within each quarter. Even where the fourth quarter is not identical, the changes are to the dollar figures with no changes in the "cents" column of each figure on the form. In addition, each purported owner of each company happens to have mistakenly filled out and signed both as the owner and in the section that is reserved for "Paid Preparer Use Only"—a mistake that is not likely to have been made by all of these owners and a pattern of mistakes that is more likely explained by one person or group or persons falsifying all of these forms on behalf of the purported owner under a mistaken belief about that section.

finalized on May 19, 2020. Company 3's application was one that included a near-replica of Company 1's fraudulent bank statement.

b. Company 4, from Miami, FL, received a PPP loan for \$488,565.00, finalized on May 17, 2020. Company 4's application was also one that included a near-replica of Company 1's fraudulent bank statement.

c. OMP Enterprises LLC ("OMP"), from Fort Lauderdale, FL, received a PPP loan for \$244,062, finalized on May 15, 2020. In addition to the above indicia of fraud, OMP had significant connections to Charno. The Charno Phone is the borrower contact number listed on the application, but that number is reported as the contact information for a woman, Person 3, who does not appear to be the user of the Charno Phone. The business address listed is an address on SW 11th Street in Ft. Lauderdale, FL that is Charno's primary residence (the "Charno SW 11th Street Residence"), which is also listed in Charno's email signature for "OMP Enterprises LLC" in an April 20 email to CHS 1.¹¹ The Charno Phone is also listed as the contact information for Person 3 on the purported IRS Forms 941 submitted with the application. Finally, despite a reported average monthly payroll of "\$97625.00" on the application, the February bank statement submitted with the application shows less than \$25,000 in total debits on the account.

d. PM Autobody, Inc., from Miami, FL, received a PPP loan for \$652,470, finalized on May 18, 2020. PM Autobody's application included a near-replica of Company 1's fraudulent bank statement, and it is, on its face, Charno's application. It

¹¹ In that email, Charno forwarded CHS 1 an email chain concerning purported credit profile improvements for Person 1 and Person 2. The chain appears to have begun as an email from Charno to Stote that was returned to Charno with edits by Stote, and then finally forwarded by Charno. In this chain, Charno used a different Gmail address, listed both as OMP Homes and as "OMP Properties LLC."

lists Charno as the borrower contact and 100% owner of PM Autobody. It lists the Charno SW 11th Street Residence as Charno's address and the Charno Phone as his phone number. Charno is also listed as the owner on the Forms 941 submitted with the application, with the Charno Phone as his phone number and the Charno SW 11th Street Residence listed as his address.¹²

e. USA Homes and Remodeling, Inc. ("USA Homes") – the same entity that received a wire payment of more than \$80,000 from the Company 2 Account – received a PPP loan for \$702,720, finalized on May 20, 2020. The USA Homes application also included a near-replica of Company 1's fraudulent bank statement. The listed address for USA Homes was the Stote Bogota Residence. Person 4, with the Stote Bogota Residence as her address, was listed as the 100% owner in both the application and in the Forms 941. Records from the USA Homes 8588 Account confirm that account received \$702,720 from Bank 3, through Bank Processor 1, on May 21, 2020.

43. A review of records for bank accounts controlled by Stote at Bank 5 shows that Stote has been receiving kickbacks similar to the one paid to him from the Company 2 Account.

44. Records for Stote's Bank 5 personal checking account ending in 6828 (the "Stote 6828 Account") for May 2020 show that Stote received a large volume of wire transfers from businesses that, according to SBA records, had recently received sizable PPP loans. The following table matches those entities found in both sets of records with the date and amount of the PPP loan received by the entity and the date and amount of the wire transfer received from

¹² While PM Autobody's application did not rely on the same near-replica of the Company 1 bank statement, the bank statement submitted with its application was a near-replica of the statement submitted with the application of another company discussed below: Company 18. PM Autobody's purported bank statement likewise bore metadata evidence of having been produced by a PDF-editing program.

that entity into the Stote 6828 Account:

Entity Receiving Loan and Sending Wire	Loan Date	PPP Loan Amount	Wire Date	Wire Amount
Company 5	5/15	\$363,177	5/18	\$72,635.40
Company 6	5/15	\$363,177	5/18	\$81,635
Company 7	5/17	\$258,575	5/20	\$64,645
Company 8	5/18	\$426,717	5/20	\$90,000
Company 9	5/18	\$84,515	5/21	\$21,130
Company 10	5/14	\$389,627	5/21	\$97,418
Company 11	5/18	\$416,752	5/22	\$104,188
Company 12	5/21	\$708,065	5/26 5/27 5/29	\$50,000 \$40,000 \$50,000 (Tot.: \$140,000)
Company 13	5/23	\$414,675	5/28	\$103,664.25

45. Similarly, records for the USA Homes 8588 Account for May 2020 show that the USA Homes 8588 Account received a large volume of wire transfers from businesses that, according to SBA records, had recently received sizable PPP loans. The following table matches those entities found in both sets of records with the date and amount of the PPP loan received by the entity and the date and amount of the wire transfer received from that entity into the USA Homes 8588 Account:

Entity Receiving Loan and Sending Wire	Loan Date	PPP Loan Amount	Wire Date	Wire Amount
PM Autobody Inc.	5/17	\$702,720	5/20	\$42,380
Company 14	5/20	\$488,565	5/26	\$122,155
Company 15	5/21	\$488,565	5/27	\$96,000
Company 16	5/21	\$488,565	5/27	\$97,700
Company 17	5/22	\$488,565	5/28	\$122,000
Company 18 (Person 5) ¹³	5/26	\$1,246,565	5/28	\$311,641.67

46. A summary of the activity for the USA Homes 8588 Account since the last statement shows eight additional incoming wires, ranging from \$14,242 to \$113,568, between

¹³ SBA records indicate that Company 18 obtained this loan with Person 5 listed as the contact for the business. The USA Homes 8588 Account records show this wire received from Person 5.

June 1 and June 9. The senders of the wires are not identified in these records for June, but among those wires is a credit of \$80,190, which matches the receipt for the wire from the Company 2 Account, as described in paragraph 42(c).

47. Bank 5 records also indicate that Stote recently opened a new business account under the name “FS Financial, Inc,” with account number ending in 0640 (the “FS Financial 0640 Account”). Activity begins on June 2, 2020, and includes incoming wires of \$49,130, \$22,500, and \$80,000 between June 5 and June 11, 2020.

48. Stote controls the USA Homes 8588 Account, and statements for that account and the Stote 6828 Account are both addressed for mailing to the Stote Bogota Residence. Stote also controls the FS Financial 0640 Account, which has a listed address on S. Pine Island Road in Plantation, Florida.

Undercover Contact Shows the Fraudulent Scheme is Ongoing

49. Based on CHS 1’s referral to Stote and Charno of a friend interested in a loan, investigators initiated undercover contact with Charno.

50. On the afternoon of June 12, 2020, an undercover investigator (“UC”) posing as CHS 1’s friend placed a recorded call to Charno. UC noted that he had been referred by Person 1 for Charno’s help (Person 1’s name being that by which Stote and Charno know CHS 1). Charno agreed that he could help UC, and instructed UC to begin the process by signing up for a credit bureau service and providing his login credentials to Charno in order to check out his credit report and score.

51. On June 12, 2020, at approximately 3:30pm, Charno sent a text message to CHS 1 that stated, “That was frank [UC]. Very good. Thx again [for referring the customer]. Now let’s get this deal done.” Charno concluded his message by referring to brokering a transaction

involving the sale of PPE.

52. On June 15, 2020, UC texted Charno that he was not interested in the “credit stuff,” but wanted “the same thing [Person 1] got,” and asked if Charno could help with that. Charno responded, “I can try,” and said he would call UC in a few minutes. Charno then called UC and explained he needed three months of bank statements from UC and to e-mail them. Charno texted UC to e-mail the statements to rosscharno@gmail.com. UC e-mailed bank statements to Charno that evening.

53. UC and Charno continued to communicate that week. On June 18, 2020, UC and Charno had a text message conversation in which UC asked when the documents would be submitted and when the amount of the loan would be known. Charno responded, “I will know by wed how much. We are not submitting till monday. They are getting the last of their monies Monday. We have to time it right.” After discussing Charno’s plans to take the weekend off, UC asked if Charno would let UC know “how it goes” on Monday, and Charno responded, “Sure will.”

54. On June 22, 2020, in a recorded call with UC, Charno informed UC that the people through whom he and Stote have obtained the PPP loans are refusing to submit UC’s application because Person 1 (the name by which Stote and Charno know CHS 1) referred UC and has not wired his fee, and they would still refuse even if UC was willing to pay 30% rather than 25%. UC asked how large a loan he would obtain if they proceeded, and Charno responded that he would receive between \$150,000 and \$200,000.

CONCLUSION

55. Based on the forgoing, I respectfully submit that there is probable cause to believe that JAMES RICHARD STOTE and ROSS CHARNO committed the Target Offenses, and to issue the requested arrest warrants.



Matthew E. Scalisi
Special Agent, FBI

Sworn to via telephone after submission by reliable electronic means, per Fed. R. Crim. P. 3, 4(d), and 4.1, this day, June 24, 2020.



Jonathan D. Greenberg
U.S. Magistrate Judge

