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Department of Justice

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District of Utah

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Utah County Man Sentenced for Fraud Related to a Paycheck Protection Program (PPP) Loan

SALT LAKE CITY – A Utah County resident was sentenced last Wednesday in connection with fraudulent representations he made to get a loan under the Paycheck Protection Program (PPP).

Michael Leroi Douros, 66, of Lehi, was sentenced to 28 months in prison after pleading guilty to two counts of bank fraud, two counts of making a false statement to a bank, and money laundering contained in the felony information with which Douros was charged in federal court. After being released from prison, Douros will serve three years of supervised release.

According to court documents filed as a part of his plea agreement, Douros made false representations to two banks, for a total amount of \$437,891, to get a PPP loan for his business, Epic Rentals UT LLC. The business was registered with the Utah Division of Corporations on June 5, 2019, with his son, listed as the registered agent. The false statements included in the loan applications related to (1) misrepresentations about Epic Rentals' monthly payroll and the number of employees the business had; (2) claims that his son owned 50 percent of Epic Rentals when his son was a straw owner and did not own any portion of the business when at least one application was submitted; and (3) a failure to disclose on the loan application that he had been convicted of a felony in Utah and had been on probation in the last five years.

PPP loan applications make clear, that any company which was owned 20% or more by someone with such criminal history was disqualified from receiving PPP funds. Based on Douros's criminal history, and the fact that he was still on probation when the loan applications were submitted, his business was ineligible for PPP funding.

To implement his scheme to defraud the Paycheck Protection Program, Douros first submitted an application with false statements through Zions Bank. Zions Bank initially funded the PPP loan of \$198,000 to Epic Rentals. However, upon further inspection of the representations in the loan application, the bank cancelled the loan transfer. Douros then submitted a second PPP loan application containing false statements through Cache Valley Bank, which was funded in the amount of \$239,091.67 to Epic Rentals. The money laundering conviction relates to a \$20,000 payroll check made payable to the defendant from an Epic Rentals bank account.

"This prosecution highlights the serious penalties that can be imposed on anyone who attempts to defraud the federal government out of Paycheck Protection Program funding meant for honest and hardworking small businesses," said United States Attorney Andrea T. Martinez. "The District of Utah takes all Paycheck Protection Program fraud seriously and will aggressively prosecute anyone who attempts to defraud the United States Government out of this funding which Congress has made available for small businesses."

"The Covid-19 pandemic has resulted in a lot of hardship for so many small businesses struggling to stay afloat," said Special Agent in Charge Dennis Rice of the Salt Lake City FBI. "Mr. Douros lied in order to get a PPP loan, lining his pockets with funds that should have gone to other businesses. We hope his sentence serves as a deterrent to those looking to engage in this type of fraud."

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted on March 29, 2020, 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 the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1%. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on the PPP loan to be forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses at least a certain percentage of the PPP loan proceeds on payroll expenses.

On May 17, 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Department of Justice in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The Task Force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by, among other methods, augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts. For more information on the department's response to the pandemic, please visit <https://www.justice.gov/coronavirus>. Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud (NCDF) Hotline at 866-720-5721 or via the NCDF Web Complaint Form at <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

Assistant U.S. Attorneys in the Utah U.S. Attorney's Office prosecuted the case. FBI special agents investigated the matter.

Topic(s):

Financial Fraud

Component(s):

USAO - Utah