

FILED

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SEP 27 2021
CLERK OF COURT
U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA, FLORIDA

UNITED STATES OF AMERICA

v.

CASE NO. **8:21cr325 WFJ-AEP**
18 U.S.C. § 1956(h)

JULIO ENRIQUE LUGO

INFORMATION

~~SEALED~~

The United States Attorney charges:

COUNT ONE
(Conspiracy to Commit Money Laundering)

A. Introduction

At all times material to this Information:

1. The defendant JULIO ENRIQUE LUGO resided in the Middle District of Florida.

2. LUGO was an officer of record on multiple Florida corporations, including Universal Property Vision (“UPV”), according to corporate registration documents filed with the Secretary of State. These corporations will hereinafter be referred to collectively as the “Lugo Companies.”

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Financial Institutions

3. Bank-1, which was headquartered in California, was a financial institution, as defined in 18 U.S.C. § 20, insured by the Federal Deposit Insurance Corporation.

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4. Bank-2, which was headquartered in North Carolina, was a financial institution, as defined in 18 U.S.C. § 20, insured by the Federal Deposit Insurance Corporation.

5. Bank-3, which was headquartered in New York, was a financial institution, as defined in 18 U.S.C. § 20, insured by the Federal Deposit Insurance Corporation.

6. LUGO maintained, controlled, or had access to multiple accounts at Bank-1, Bank-2, and Bank-3, including business accounts for the Lugo Companies.

7. Bank-1, Bank-2, and Bank-3 participated in the United States Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") as lenders. As such, they were authorized to lend funds to eligible borrowers under the terms of PPP, which is described next.

The Paycheck Protection Program

8. The 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. As part of this effort, the SBA enabled and provided for loans through banks, credit unions, and other lenders. These loans had government-backed guarantees.

9. In March 2020, the Coronavirus Aid, Relief, and Economic Security Act, or the "CARES Act," was enacted to provide immediate assistance to

individuals, families, and organizations affected by the COVID-19 emergency.

Among its various provisions, the CARES Act authorized the SBA to guarantee loans through the PPP. The full principal amount of PPP loans could qualify for forgiveness.

10. Borrowers were required to use PPP loan proceeds only for enumerated purposes, including payroll costs, rent and utilities, and mortgage interest payments. Knowing misuse of PPP funds would subject borrowers to additional liability, such as charges for fraud.

11. Under the PPP, the maximum loan amount was the lesser of \$10 million or an amount calculated using a payroll-based formula specified in the CARES Act. The payroll-based formula considered the borrower's total payroll costs from the preceding twelve months for all domestic employees. Once an average monthly payroll cost was established, the borrower would multiply that figure by 2.5 to arrive at a total maximum PPP loan amount.

12. A potential borrower could apply for a PPP loan by electronically submitting an application with supporting payroll documentation to a financial institution, which would administer the loan and serve as custodian of the funds. On the PPP loan application, an authorized representative of the business was required to certify information regarding business operations. Those certifications included that: (i) the applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC; (ii) current economic uncertainty made the loan request

necessary to support the applicant's ongoing operations; and (iii) the PPP funds would be used to retain workers and to maintain payroll or pay other qualifying expenses.

13. Further, when submitting the PPP loan application, the authorized representative certified his understanding that, should the PPP funds be knowingly used for unauthorized purposes, the United States could hold him legally liable, including for charges of fraud. The applicant was also required to certify the truth and accuracy of any information provided on the application and in any supporting documents, to include any documents intended to verify the applicant's payroll expenses. Such supporting documents could include payroll processor records, bank records, wage records, payroll tax filings with the Internal Revenue Service, or other records sufficient to demonstrate the qualifying payroll amount.

14. Finally, the applicant was required to certify the following warning regarding false statements and other criminal penalties:

I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 U.S.C. §§ 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. § 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 U.S.C. § 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

15. PPP loan applications were processed by participating lenders. If a PPP loan application was approved, the participating lender funded the PPP loan using its own monies, which were 100% guaranteed by the SBA.

16. These lenders also transmitted data about PPP loans—including information from the borrower, the total amount of the loan (if approved), and the listed number of employees—to the SBA. In 2020, the SBA received aforesaid data through a server located in Sterling, Virginia.

The Economic Injury Disaster Loan Program

17. The CARES Act also allowed the SBA to offer Economic Injury Disaster Loans (“EIDL”) to businesses in operation as of February 1, 2020 that were affected by the coronavirus pandemic.

18. EIDL funds, which came directly from the United States Treasury, could only be used for certain expenses, such as fixed debts, payroll, accounts payable, and other bills that could have been paid absent the pandemic. EIDL funds were not for business expansion or to replace lost revenue.

19. Applicants were required to send the SBA information about their businesses through an online portal. The portal delivered the applicant’s information to the SBA through a server located in Des Moines, Iowa.

20. The information called for on the EIDL application included, pertinently, (a) the number of employees as of January 31, 2020 (*i.e.*, the declared date for the COVID-19 disaster), (b) the gross revenues and the cost of goods for the business for the twelve months prior to January 31, 2020, and (c) the name, contact, and banking information for the owner and the business. Applicants were also required to disclose whether, in the last five years, they had been convicted of a crime or placed on any form of probation.

21. Applicants had to certify that the information provided to the SBA was true and correct under penalty of perjury. They also had to acknowledge the below warning regarding civil liability and criminal offenses:

WARNING: Whoever wrongfully misapplies the proceeds of an SBA disaster loan shall be civilly liable to the Administrator in an amount equal to one-and-one half times the original principal amount of the loan under 15 U.S.C. § 636(b). In addition, any false statement or misrepresentation to SBA may result in criminal, civil or administrative sanctions including, but not limited to: 1) fines and imprisonment, or both, under 15 U.S.C. 645, 18 U.S.C. 1001, 18 U.S.C. 1014, 18 U.S.C. 1040, 18 U.S.C. 3571, and any other applicable laws; 2) treble damages and civil penalties under the False Claims Act, 31 U.S.C. 3729; 3) double damages and civil penalties under the Program Fraud Civil Remedies Act, 31 U.S.C. 3802; and 4) suspension and/or debarment from all Federal procurement and non-procurement transactions. Statutory fines may increase if amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

22. If EIDL funds were approved, the SBA initiated disbursements through a finance center in Denver, Colorado, which, in turn, sent payment information through the Financial Management System (“FMS”) to the United States Treasury. The primary server for FMS is in Sterling, Virginia.

B. The Conspiracy

23. Beginning in or about March 2020, and continuing through at least in or around March 2021, in the Middle District of Florida and elsewhere, the defendant,

JULIO ENRIQUE LUGO,

did knowingly combine, conspire, confederate, and agree with others, both known and unknown to the United States Attorney, to commit money laundering, to wit,

knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, did conduct, and attempt to conduct, financial transactions which, in fact involved the proceeds of a specified unlawful activity, that is, wire fraud, in violation of 18 U.S.C. § 1343, knowing that the transaction was designed in whole or in part to promote the carrying on of specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(A)(i), and to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(B)(i).

C. Manner and Means of the Conspiracy

24. The manner and means by which the defendant sought to accomplish the object of the conspiracy included, among others, the following:

a. It was part of the conspiracy that the conspirators would and did electronically submit and cause the electronic submission of false and fraudulent PPP loan applications to Bank-1, Bank-2, and Bank-3 on behalf of UPV and numerous other entities;

b. It was further part of the conspiracy that the conspirators would and did electronically submit and cause the electronic submission of false and fraudulent EIDL loan applications to the SBA for the Lugo Companies and numerous other entities;

c. It was further part of the conspiracy that LUGO would and did recruit conspirator ROSENIDE VENANT and others to use their registered

corporations to submit false and fraudulent loan applications to seek at least \$5.8 million in EIDL and/or PPP funding;

d. It was further part of the conspiracy that LUGO would and did open, or cause to be opened, new business bank accounts, including at Bank-1, to receive EIDL funds derived from false and fraudulent loan applications;

e. It was further part of the conspiracy that the conspirators would and did falsely and fraudulently certify that the requested PPP and EIDL funds would be used to pay for payroll and other eligible expenses;

f. It was further part of the conspiracy that, on the false and fraudulent PPP and EIDL loan applications, the conspirators would and did lie about the business operations of the Lugo Companies and other entities, including by inflating the number of employees, the gross revenues, and/or the costs of goods and payroll to increase loan eligibility;

g. It was further part of the conspiracy that the conspirators would and did create, or caused the creation of, bogus payroll reports and tax records for UPV and other entities to support the amounts requested from the lenders;

h. It was further part of the conspiracy that the conspirators' materially false, fraudulent, and misleading representations would and did cause the lenders to approve multiple PPP and EIDL applications for the Lugo Companies and other entities, resulting in approximately \$4.4 million in disbursed loan funds, including in part to accounts under LUGO's control;

i. It was further a part of the conspiracy that the conspirators would and did electronically transfer fraud proceeds to other conspirators by electronic transfer and interstate wire transmissions, including from Bank-1, Bank-2, and Bank-3;

j. It was further a part of the conspiracy that the conspirators would and did issue checks, including from Bank-1, Bank-2, and Bank-3, falsely labeled as “payroll” to other conspirators to conceal the improper use of the PPP and/or EIDL funds;

k. It was further part of the conspiracy that, to conceal and to disguise the nature, source, ownership, and control of the fraudulently obtained loan proceeds, the conspirators would and did use PPP and EIDL funds to purchase and to make improvements on a real estate investment property held by a company that belonged to the conspirator VENANT;

l. It was a further part of the conspiracy that the conspirators would and did share in the fraud proceeds for their personal enrichment, such as to buy a 2018 Maserati Ghibli, and to promote and perpetuate the scheme; and

m. It was a further part of the conspiracy that the conspirators would and did engage in multiple meetings, perform acts, and make statements to promote and achieve the objects of the conspiracy and to misrepresent, hide, and conceal, and cause to be misrepresented, hidden, and concealed, the purposes of the conspiracy and the acts committed in furtherance thereof.

All in violation of 18 U.S.C. § 1956(h).

FORFEITURE

1. The allegations contained in Count One are incorporated by reference for the purpose of alleging forfeiture pursuant to 18 U.S.C. § 982(a)(1).

2. Upon conviction of a violation of 18 U.S.C. § 1956(h), the defendant,

JULIO ENRIQUE LUGO,

shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(1), any property, real or personal, involved in such offense, or any property traceable to such property.

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

- a. an order of forfeiture in the amount of approximately \$4.4 million, which represents the amount of proceeds involved in the offense; and
- b. approximately \$53,823.14 in U.S. Currency seized from the defendant's residence on or about April 1, 2021;
- c. a 2018 Maserati Ghibli, VIN ZAM57XSA5J1300365, registered to Isiah Tyrel Belle.

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

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- 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 which cannot be divided without difficulty,

the United States shall be entitled to forfeiture of substitute property under the provisions of 21 U.S.C § 853(p), as incorporated by 18 U.S.C § 982(b)(1).

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