

THE UNITED STATES ATTORNEY'S OFFICE  
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**Department of Justice**

U.S. Attorney's Office

Western District of New York

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FOR IMMEDIATE RELEASE

Friday, March 26, 2021

## **North Chili Man Charged With COVID Relief Fraud By Scheming To Get Paycheck Protection Program Loans**

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ROCHESTER, N.Y. - U.S. Attorney James P. Kennedy, Jr. announced today that Michael Rech, 49, of North Chili, NY, was charged by criminal complaint with wire fraud and money laundering in connection with his application and receipt of approximately \$277,500 in Paycheck Protection Program (PPP) loans. The charges carry up to 20 years in prison and a fine of \$500,000.

Assistant U.S. Attorney Richard A. Resnick, who is handling the case, stated that according to the complaint, the defendant is the Director, President, and CEO of Guardian of Humanity, Inc., a nonprofit corporation. Rech is also the sole member of Eclipse, a limited liability company. Between April 2020 and February 2021, the defendant applied for three PPP loans. On his application, Rech fraudulently claimed that Guardian and Eclipse had employees and that he had been paying wages to these employees, which qualified him for the PPP loans. Subsequent investigation revealed that the defendant did not have any employees and did not paid wages to any employees. Rech received three PPP loans totaling approximately \$277,500. Once he received the loans, the defendant took the money out of the bank in amounts less than \$10,000 to avoid federal reporting requirements.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29, 2020. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is 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 one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses.

The defendant made an initial appearance today before U.S. Magistrate Judge Marian W. Payson and was released on conditions.

The criminal complaint is the result of an investigation by the Internal Revenue Service, Criminal Investigation Division, under the direction of Jonathan D. Larsen, Special Agent-in-Charge, New York Field Office.

The fact that a defendant has been charged with a crime is merely an accusation and the defendant is presumed innocent until and unless proven guilty.

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**Topic(s):**

Coronavirus

**Component(s):**

USAO - New York, Western

Updated March 26, 2021