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Owner of Utah Trucking Companies Pleads Guilty to Role in FedEx Trucking Bribery Scheme Worth \$24 Million and PPP Loan Fraud

SALT LAKE CITY – Hubert Ivan Ugarte, 52, of Draper, Utah, pleaded guilty for his role in two separate fraud schemes last week in federal court. Ugarte first pleaded guilty to charges related to a federal bribery case involving the procurement of FedEx Ground (FXG) contract shipping routes worth \$24 million dollars of profit and also pleaded guilty to fraudulently obtaining a federal Paycheck Protection Program (PPP) loan for other trucking companies.

In the bribery case, Ugarte was convicted of fraud and money laundering charges for his involvement in a pay-to-play trucking scheme where prosecutors alleged that Ugarte was one of ten defendants who paid approximately \$1 million in bribes to the Utah FXG Ground Hub manager in order to exploit the manager's position with FedEx and make their trucking businesses as lucrative as possible.

In the plea agreement, Ugarte admitted to bribing the FXG senior linehaul manager, Ryan Lee Mower, with approximately \$490,000 which netted Ugarte's trucking companies over \$24 million dollars during a seven-year period between 2012 and 2019. In exchange for the bribe payments, the FXG manager awarded Ugarte's companies with several delivery routes from FXG that Ugarte would not have qualified for under FXG's established policies.

In order to carry out the scheme, Ugarte and the FXG manager worked to obscure the ownership of Ugarte's many trucking companies by filing false compliance reports with FXG in order to award Ugarte with more trucking routes than one business owner was entitled to under established FXG policies. As a result, Ugarte was allowed to operate at least 45 trucking routes originating from the Salt Lake FXG hub, greatly exceeding the FXG limit of only 15 trucks for the Salt Lake City hub. This practice, known as "over scaling" in the contract shipping industry, along with the payment of bribes to the FXG manager, would have resulted in the automatic termination of Ugarte's contracts if discovered by authorities at FXG. Throughout the scheme, Ugarte's companies received approximately \$135,000,000 in gross payments from FXG, resulting in net profits to his trucking companies of approximately \$24,000,000.

In the second case involving Paycheck Protection Program (PPP) loan fraud, Ugarte pleaded guilty to submitting a fraudulent loan application to the Small Business Administration (SBA) through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Ugarte admitted that he fraudulently obtained \$210,000 in

PPP loans after failing to disclose that he was under federal indictment for his role in the fraudulent trucking scheme.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to millions of Americans suffering from the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$249 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized more than \$300 billion in additional PPP funding.

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 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.

On May 14, 2020, Ugarte received \$210,000 from Transportation Alliance Bank under the PPP. Instead of using at least 75 percent of the loan to pay payroll costs, including bounced payroll checks, Ugarte used 60 percent of the loan to pay the past due truck payments – leaving 40 percent for payroll costs.

Sentencing is set for June 3, 2021, in both matters.

Assistant United States Attorneys in the Utah U.S. Attorney's Office prosecuted the cases against Ugarte. Special Agents from the FBI, IRS, and the Department of Transportation Office of Inspector General conducted the investigations.

Topic(s):

Financial Fraud

Component(s):

USAO - Utah

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