

AO 91 (Rev. 11/11) Criminal Complaint

UNITED STATES DISTRICT COURT
for the
Eastern District of Texas

United States of America)
v.)
SHASHANK SHEKHAR RAI) Case No.
) 1:20-MJ-95
)
)
)
)

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 April 8, 2020 to present in the county of Jefferson in the
Eastern District of Texas, the defendant(s) violated:

<i>Code Section</i>	<i>Offense Description</i>
18 U.S.C. § 1343	Wire Fraud
18 U.S.C. § 1344	Bank Fraud
18 U.S.C. § 1014	False Statements to a Financial Institution
15 U.S.C. § 645(a)	False Statements to Small Business Administration

This criminal complaint is based on these facts:

See attached affidavit of Special Agent Michael Gross, FHFA-OIG.

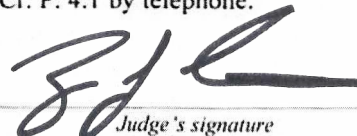
Continued on the attached sheet.


Complainant's signature

Special Agent Michael Gross, FHFA-OIG
Printed name and title

Attested to by the applicant in accordance with the requirements of Fed. R. Cr. P. 4.1 by telephone.

Date: 5/12/2020


Judge's signature

City and state: Beaumont, Texas

Zack Hawthorn, United States Magistrate Judge
Printed name and title

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

UNITED STATES OF AMERICA)	
)	<u>FILED UNDER SEAL</u>
v.)	
)	Case No. 1:20-MJ- <u>95</u>
SHASHANK SHEKHAR RAI,)	
)	
Defendant.)	

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT

I, Michael Gross, being duly sworn, hereby depose and state as follows:

Introduction

1. I am a Special Agent for the Federal Housing Finance Agency, Office of Inspector General, where I have been employed since 2013. I am currently assigned to the Dallas, Texas office. My current duties include the investigation of financial crimes including wire and bank fraud, as well as other white-collar crimes. For approximately eighteen years, I have served as a law enforcement Officer, first as a Police Officer in the New York City Police Department, and then as a Special Agent for Housing and Urban Development, Office of Inspector General and Department of Labor, Office of Inspector General.

2. Throughout the course of my career, I have conducted an array of criminal investigations involving money laundering, bank fraud, public corruption, organized crime, and many other illegal schemes impacting financial institutions. I have experience conducting search, seizure and arrest warrant operations. 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.

3. This affidavit is made in support of a criminal complaint charging Shashank Rai with 18 U.S.C. § 1343 (Wire Fraud), 18 U.S.C. § 1344(2) (Bank Fraud), 18 U.S.C. § 1014 (False Statements to a Financial Institution), and 15 U.S.C. § 645(a) (False Statements to the Small Business Administration), carried out by Shashank Shekhar Rai.

4. This affidavit is based on my personal investigation and investigation by others, including federal and local law enforcement officials whom I know to be reliable and trustworthy. 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 does not include every fact known to me about this investigation, but rather only those facts sufficient to establish probable cause.

5. This affidavit does not include each and every fact known to the government, but only those facts necessary to support a finding of probable cause to support the requested arrest warrant.

Probable Cause

The Paycheck Protection Program

6. 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 (“PPP”). In or around April 2020, Congress authorized over \$300 billion in additional PPP funding.

7. 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.

8. A business's PPP loan application is received and processed, in the first instance, by a participating financial institution then transmitted, for further review, to the Small Business Administration ("SBA") to assess the applicant's eligibility. If a PPP loan application is approved, the participating financial institution funds the PPP loan using its own monies.

9. 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 (usually eight weeks of receiving the proceeds) and uses at least 75% of the PPP loan proceeds on payroll expenses.

Shashank Rai and Rai Family LLC

10. According to public records from the Texas Secretary of State, Rai Family LLC is an active Texas corporation that was first registered on or about October 30, 2019. The registered mailing address for Rai Family LLC is 9255 Meadowbend Drive, Beaumont, Texas 77706. Public records show that address appears to be a one-story single-family home.

11. An internet search for Rai Family LLC in Beaumont, Texas revealed little additional information about Rai Family LLC that would suggest the company engages in active business. Investigators did not identify a public website for Rai Family LLC nor any social media pages (such as LinkedIn accounts) where individuals identified themselves as employees of Rai Family LLC.

12. According to open-source records, Shashank Rai is a thirty-year-old male living in Beaumont, Texas. A public LinkedIn profile in Shashank Rai's name lists Rai as an engineer in the Beaumont/Port Arthur, Texas area who works for a large multinational energy company (Company 1). In or around May 2020, Company 1 confirmed that Shashank Rai was a current and salaried employee.

13. Records obtained from Company 1 on or about May 8, 2020 confirm that Shashank Rai is an employee of Company 1 and works in an engineering capacity there. According to personnel records, Shashank Rai has worked at Company 1 since approximately May 2012. According to Company 1, Shashank Rai has not disclosed any outside employment with Rai Family LLC or any similar company.

14. In personnel records from Company 1, Shashank Rai's listed address is 9255 Meadowbend Drive, Beaumont, Texas 77706. In other records produced by Company 1, Shashank Rai listed his personal email address as Email Account 1 and his telephone number as Telephone Number 1.

15. As discussed further below, in materials submitted in support of his multiple applications for loans, Shashank Rai stated that he is the "owner" of "Rai Family LLC," which he claimed to be a multi-million dollar operation with hundreds of employees. However, the public LinkedIn profile of Shashank Rai includes detailed references to his job duties at Company 1, but

no reference whatsoever to “Rai Family LLC.” Based on your affiant’s training and experience, it is highly unusual for an individual owning a legitimate multi-million dollar organization to exclude any references to that organization on publicly available business development websites such as LinkedIn, but to include detailed references to an ordinary salaried engineering job at a multinational energy company.

Rai Family LLC’s PPP Application to Allegiance Bank

16. Allegiance Bank is an FDIC-regulated financial institution and member of the Federal Home Loan Bank System serving the greater Houston area. Allegiance Bank was an approved SBA lender and has participated as a lender in the PPP.

17. According to information provided by Allegiance Bank, on or about April 8, 2020, the bank received a PPP application in the name of Rai Family LLC seeking \$10,000,000 in PPP funds. The application was submitted in the name of Shashank Rai, who represented himself as the sole owner of Rai Family LLC. The application also listed the business’s telephone number as Telephone Number 1 and the email address at Email Account 1.

18. The PPP application submitted to Allegiance Bank stated that Rai Family LLC’s average monthly payroll was \$4,000,000 and that the company had 250 employees. Along with the application, Rai submitted a spreadsheet purporting to show Rai Family LLC’s payroll.

19. As additional support to the PPP application, Rai submitted what he claimed to be an Employer’s Annual Federal Tax Return (IRS Form 944) for 2019. On the purported Form 944, Rai Family LLC claimed that it had paid \$23,228,512 in wages, tips, and other compensation. A total of \$23,228,512 equals a monthly average of \$1,935,709.33, which is less than of the purported \$4 million monthly payroll Shashank Rai claimed on the PPP application.

20. As additional support to the PPP application, Shashank Rai submitted what he claimed to be a quarterly federal tax return for the first quarter of 2020 for Rai Family LLC. On the form, Rai Family LLC claimed to have paid a total wages, tips, and other compensation of \$8,219,178.08. A three-month total of \$8,219,178.08 equals a monthly average of approximately \$2,739,726.03, which is less than of the purported \$4 million monthly payroll Rai claimed on the PPP application.

21. As additional support to the PPP application, Shashank Rai also submitted an Excel spreadsheet that purports to be a list of Rai Family LLC employees, along with their purported salary and benefits. Although no employee names appear on the spreadsheet, the first column contains a series of nine-digit numbers, which appear to purport to represent social security numbers of the Rai Family LLC employees. Investigators have searched available databases for some of the purported social security numbers and found that the numbers on Rai's list match the social security numbers of four individuals who reside outside the State of Texas, including one deceased individual who if they were alive today would be 106 years old.

22. A copy of the PPP application submitted to Allegiance Bank in the name of Rai Family LLC shows the applications lists the business address as 9255 Meadowbend Drive in Beaumont, Texas. The application lists the primary contact as "Shashank Rai" and lists the business phone number as Telephone Number 1. Later on, Shashank Rai is listed as the sole owner of Rai Family LLC. A copy of Rai's Texas driver license was submitted with the application.

23. According to information provided by Allegiance Bank, during a review of the Rai Family LLC's application for PPP funds, a Senior Vice President in the Regulatory Compliance Department noticed multiple discrepancies in the information provided about Rai Family LLC's

employees and concluded that the application may be “fraudulent.” Based on these discrepancies, Allegiance Bank denied the Rai Family LLC application for a PPP loan.

Rai Family LLC's PPP Application to Ready Capital

24. Ready Capital is a publicly traded company that specializes in non-bank real estate and small business lending. Ready Capital is an SBA Preferred Lender and participated as a PPP lender to small businesses.

25. According to records received from Ready Capital, on or about April 20, 2020, Ready Capital received a PPP application in the name of Rai Family LLC seeking \$3,006,200 in PPP funds, a decrease of nearly \$7 million from the \$10 million application which Allegiance Bank denied. The application was transmitted to Ready Capital through its website and was received by Ready Capital outside the state of Texas. The application was submitted in the name of Shashank Rai, who represented himself to be the sole owner of Rai Family LLC. The application listed the business's telephone number as Telephone Number 1 and the email address at Email Account 1.

26. The PPP application submitted to Ready Capital stated that Rai Family LLC's average monthly payroll was \$1,202,480 and that the company had 264 employees. Despite claiming a similar number of employees, the average payroll cited on this application was now almost \$3 million less than the average payroll cited on the previous PPP application to Allegiance Bank. The PPP application submitted to Ready Capital included the same spreadsheet referenced submitted in the application to Allegiance Bank.

27. According to information provided Ready Capital, based on the information submitted, Rai Family LLC was approved by the SBA for a loan of approximately \$3 million. A PPP loan was in the process of being funded by Ready Capital at the time that law enforcement

requested records related to Rai Family LLC. Based on that records request, the loan was placed under further review, and funding has been postponed.

28. According to records provided by Ready Capital, Shashank Rai has repeatedly contacted Ready Capital about the status of his PPP loan and to demand disbursement of the funds. For example, on or about April 20, 2020, Shashank Rai sent an email from Email Account 1 to a Ready Capital employee located in the greater New York area and attached an updated PPP application form. In another email sent on the same day, Rai asked, “when can I expect the process complete [*sic*] and to get the funds?” On or about April 30, 2020, Shashank Rai sent an email saying in part, “We have not received anything. Today is pay-day for people within our company. . . . When can we expect to receive the funds?”

29. According to records provided by Ready Capital, Shashank Rai directed that the PPP loan proceeds be sent to a Bank of America account ending in x0665. According to records produced by Bank of America, the account ending in x0665 was opened on or about April 3, 2020, in the name of Rai Family LLC. The listed owner on the Bank of America was Shashank Rai, and the accounts show that Rai’s social security number was provided while opening the account. The business address provided to Bank of America was 9255 Meadowbend Drive, Beaumont, Texas 77706, the same address used on both PPP applications and the incorporation documents.

30. On May 1, 2020, at the request of law enforcement, a representative from Ready Capital located in the greater New York area recorded a telephone conversation with Shashank Rai for the purpose of confirming information listed on the PPP loan application for Rai Family LLC. Rai said that he was the owner of the company and acknowledged that it has 264 employees with an average monthly payroll of \$1,202,480 (not \$4 million for 250 employees as represented in the application submitted to Allegiance Bank). Although the Texas Workforce Commission has

no record of Rai Family LLC being registered, or filing any employment or payroll information, Rai said that all the employees were in the United States and, in general, located in Texas.

Payroll Records from the Texas Workforce Commission

31. In or around April 2020, investigators contacted the Texas Workforce Commission, which collects payroll and employment records for companies operating in Texas.

32. According to the Texas Workforce Commission, Rai Family LLC is not registered and has never filed paperwork related to its payroll or employment records.

33. The Texas Workforce Commission also provided wage details for Shashank Rai for approximately the fourth quarter of 2018 through the present. According to the Texas Workforce Commission, the only records of wages for Shashank Rai were paid by Company 1 (the multinational energy company). The Texas Workforce Commission had no records of wages being paid to Shashank Rai by Rai Family LLC.

Texas Comptroller's Office of Public Accounts

34. In or around April 2020, investigators contacted the Texas Comptroller's Office of Public Accounts, which collects revenue records from taxable entities in order to assess franchise taxes owed.

35. According to the Texas Comptroller's Office of Public Accounts, Rai Family LLC became active as a taxable entity in or around the fourth quarter of 2019.

36. A representative from the Texas Comptroller's Office of Public Accounts checked their database for records pertaining to Rai Family LLC and informed investigators that Rai Family LLC reported no revenues for the fourth quarter of 2019 or the first quarter of 2020.

Physical Surveillance and Trash Cover of 9255 Meadowbend Drive

37. In or around May 2020, investigators conducted physical surveillance of 9255 Meadowbend Drive in Beaumont, Texas 77706, the registered address of Rai Family LLC. Physical surveillance confirmed the address is a single-family residence. During the surveillance, investigators observed a man at the residence. Investigators observed the individual's physical appearance generally matched that of a photo on Rai's public LinkedIn account (the individual at 9255 Meadowbend had facial hair when observed).

38. At one point during the investigator's physical surveillance of 9255 Meadowbend Drive, investigators observed the individual matching Rai's description exiting from his vehicle parked in the driveway. While the individual was outside the residence, an investigator called telephone number Telephone Number 1 (the contact number on both Rai Family LLC's PPP loan applications) from a blocked number. As the call was ringing, investigators observed the individual matching Rai's description retrieve a cellular telephone from his pocket and look at the screen, a movement consistent with checking to see the listed number of an incoming call. The individual did not answer the telephone, and shortly after placed the phone back into his pocket.

39. On or about May 6, 2020, investigators conducted a trash cover outside 9255 Meadowbend Drive. Among the documents recovered from the trash outside the residence were the following:

- a. Portions of a Bank of America document with the account ending in x0665 in the name of "Rai Family LLC" (the same account that Shashank Rai had directed Ready Capital as the intended recipient account for the \$3 million in PPP loan proceeds).

- b. Letters from Bank of America related to three new accounts ending in x2488, x2491, and x2475, all in the name of “Rai Family LLC.” According to the Bank of America documents, the accounts were opened on or about April 14, 2020.
- c. A voided check from a Bank of America account ending in x7987 in the name of “Shashank Rai.”
- d. Handwritten notes referring to “\$3,000,000” and what appears to be an investment strategy for \$3,000,000, including the apparent notations “\$1M => futures,” “\$1M => options,” and “\$1M → Stocks.” (The reference to “\$3,000,000” matches the approximate amount of the PPP loan sought from Ready Capital in the name of Rai Family LLC).

Records from Google Account Email Account 1

40. On both PPP loan applications submitted in the name of Rai Family LLC, the listed email address was Email Account 1. Likewise, records from Ready Capital show that the account Email Account 1 was used to contact the lender about the status of the PPP loan application made in the name of Rai Family LLC.

41. In or around May 2020, investigators obtained records from Google related to the account Email Account 1 pursuant to a Court-authorized search of the account. Records from the account show that the account was both used to apply for the PPP loans in the name of Rai Family LLC as well as for Rai’s own personal use.

42. Records from the email account include communications with both Allegiance Bank and Ready Capital regarding the PPP loan applications of Rai Family LLC. For example, on or about April 9, 2020, Email Account 1 received an email from Allegiance Bank thanking the sender “for providing your information for the Allegiance Bank SBA Paycheck Protection Program

Loan.” On or about April 16, 2020, Email Account 1 received an email from Ready Capital stating that “[y]our loan application has received a loan number from the SBA as part of the Paycheck Protection Program,” and that Ready Capital “looks forward to working with you to gather the remaining documentation needed.” Likewise, on or about April 20, 2020, Email Account 1 was used to email a copy of the PPP application for Rai Family LLC to an employee of Ready Capital.

43. As discussed above, the PPP applications submitted on behalf of Rai Family LLC claimed that the business had significant payroll dating back to the beginning of 2019. However, a preliminary review of the contents of Email Account 1 has revealed no substantive communications about Rai Family LLC or its purported business prior to October 30, 2019 (its approximate date of formation).

44. The internet search history affiliated with the account shows various activity connected to applying for a PPP loan, including such activity around the same time that the PPP applications were submitted to Allegiance Bank and Ready Capital in the name of Rai Family LLC.

- a. Allegiance Bank records show that it received the Rai Family LLC PPP application on or about April 8, 2020. On or about the same day, the Google internet search history for Email Account 1 shows the account was used in connection various searches related to PPP applications, including the searches “apply for a ppp loan,” “apply for ppp lenders,” and “beaumont local ppp lenders,” and “banks in beaumont accepting ppp.”
- b. Ready Capital records show that it received the Rai Family LLC PPP application on or about April 20, 2020. On or about April 21, 2020, the Google internet search

history for Email Account 1 shows the account was used to search for “ready capital.”


45. Other internet searches made from the Google account Email Account 1 include the following: “payroll register template” (on or about April 3, 2020), “p and l template” (on or about April 17, 2020), “excel balance sheet template annual report” (on or about April 17, 2020), “sample payroll report” (on or about April 21, 2020), “download paycheck report template” (on or about April 21, 2020), and “10 million dollar business for sale” (on or about April 22, 2020).

46. The same Google account (Email Account 1) contained what appear to be personal records connected to Shanskar Rai. For example, the account contained a scanned copy of a Louisiana temporary driving permit from in or around March 2015 in the name of Shashank Rai; a receipt for renter’s insurance in the name of Shashank Rai from in or around January 2016; personal photos of Rai dated from in or around December 2019; and multiple versions of resumes in the name of Shashank Rai (including one that appears to be last modified in or around September 2019). The resumes in the account identify Rai as an employee of Company 1; none of the resumes reviewed to date indicate that Rai had a position or ownership interest in Rai Family LLC or company similar to that described in the PPP applications.

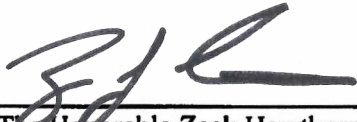
Conclusion

47. Based on my training and experience, and the information provided in this affidavit, I respectfully submit that there is probable cause to believe that beginning on a date unknown, but from at least in or around April 2020 to May 2020, within the Eastern District of Texas, Shashank Rai committed violations of 18 U.S.C. § 1343 (Wire Fraud), 18 U.S.C. § 1344(2) (Bank Fraud), 18 U.S.C. § 1014 (False Statements to a Financial Institution), and 15 U.S.C. § 645(a) (False Statements to the Small Business Administration).

I declare under penalty of perjury that the statements above are true and correct to the best of my knowledge and belief.


Special Agent Michael Gross
Federal Housing Finance Agency
Office of Inspector General

Subscribed and sworn to before me on May 12, 2020, by reliable electronic means under Rule 4.1 of the Federal Rules of Criminal Procedure.


The Honorable Zack Hawthorn
United States Magistrate Judge