

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

D-1: PATRICK J. HARRINGTON,

Defendant.

CRIMINAL NO.

HON.

VIO.: 18 U.S.C. § 371 (Conspiracy)  
18 U.S.C. § 1343 (Wire Fraud)  
18 U.S.C. § 1512 (Witness Tampering)  
18 U.S.C. § 1623 (False Declarations)  
18 U.S.C. § 1014 (False Statement-Bank)  
18 U.S.C. § 2 (Aiding and Abetting)

**INDICTMENT**

**THE GRAND JURY CHARGES:**

**COUNT ONE**

D-1: PATRICK J. HARRINGTON  
(18 U.S.C. § 371- Conspiracy)

I. That from on or about January 1, 2000 to on or about July 10, 2006, defendant **PATRICK J. HARRINGTON** ("**HARRINGTON**") conspired and agreed together and with persons known and unknown to the Grand Jury to-

- defraud the United States;
- violate Title 18, United States Code, Section 1343, by knowingly and willfully causing interstate wire communications to be made for the purpose of executing a scheme to defraud and to obtain money by means of false and fraudulent pretenses and representations;

- violate Title 18, United States Code, Section 1001, by knowingly and willfully making and causing to be made false statements as to material facts in a matter within the jurisdiction of the executive branch of the Government of the United States;

- violate Title 18, United States Code, Section 1512, by corruptly and with intent to hinder, delay, and prevent the communication to a law enforcement officer of the United States of information relating to the commission of a Federal offense persuade and attempt to persuade another to make false statements to the officer;

- violate Title 18, United States Code, Section 1623, by knowingly making false material declarations while under oath before a Grand Jury;

- violate Title 18, United States Code, Section 1014, by knowingly making a false statement and report for the purpose of influencing an institution the accounts of which were insured by the Federal Deposit Insurance Agency upon an application for a loan;  
and,

- aid and abet each other in the commission of these offenses in violation of Title 18, United States Code, Section 2.

II. The ways and means, and objects, of the conspiracy are described essentially as follows:

The Small Business Administration ("SBA") is an independent agency within the executive branch of government that was created by Congress in 1953 for the purpose of encouraging the development of small businesses by, among other things, guaranteeing certain loans (or portions of such loans) made by lenders to small businesses and thereby enabling the

small businesses to obtain long-term credit that otherwise would not be available on reasonable terms and conditions. The SBA will issue guarantees of up to 90% of loan value. Generally, the principals of the small business receiving an SBA-guaranteed loan are required to put a certain amount of their own money into the business. This "equity injection" reduces the need for debt, provides an incentive for the principals to remain committed to the business, provides a cushion which helps the business endure economic slumps, and improves the value of the collateral as security for the loan.

**HARRINGTON** was a Principal with Allied Capital SBLC Corporation, a private lender and issuer of SBA-guaranteed loans, from September 23, 1998 until December 31, 2000.

Prior to December 31, 2000, Allied Capital SBLC Corporation was a consolidated subsidiary of Allied Capital Corporation; and Business Loan Center, Inc. was a subsidiary of Business Loan Center Financial Services, Inc. On December 31, 2000, Business Loan Center Financial Services, Inc. was acquired by Allied Capital Corporation and its name was changed to Business Loan Express, Inc. At the same time, Allied Capital SBLC Corporation was recapitalized as an independently managed, private portfolio company and ceased to be a consolidated subsidiary of Allied Capital Corporation. Allied Capital SBLC Corporation was then merged into Business Loan Express, Inc. Business Loan Center, Inc. then became the name of a wholly owned subsidiary of Business Loan Express, Inc. Later, both Business Loan Express and Business Loan Center became limited liability companies (LLC). The various iterations of the Business Loan Express entity are, for convenience, simply referred to herein as "BLX." The principal owner of BLX is Allied Capital Corporation, a publicly traded company.

From January 1, 2001 until on or about September 8, 2006, **HARRINGTON** was an Executive Vice President of BLX.

BLX (or its wholly owned subsidiary, Business Loan Center) originated, sold, and serviced loans under the SBA's guaranteed loan program. BLX had approximately 40 to 50 offices across the United States, including one in Troy, Michigan, and was one of the country's largest SBA lenders. **HARRINGTON** headed up the Troy office of BLX until that office was closed on August 1, 2006.

After BLX originated and issued an SBA-guaranteed loan, it usually sold the loan on the secondary market, but continued to service the loan. When an SBA-guaranteed loan goes into default, the investor(s) who purchased the loan on the secondary market can essentially require the SBA to purchase (with interest) the guaranteed portion of the loan.

**HARRINGTON**, as Executive Vice President of BLX, fraudulently originated and issued, and knowingly caused to be fraudulently originated and issued, at least 76 SBA-guaranteed loans. The total face value of the 76 fraudulent loans was approximately \$76,869,200. Typically, the SBA guaranteed 75% of the issued loans, and to date the SBA has had to pay approximately \$28,423,223.85 in claims due to defaults in payment of the fraudulent loans.

Typically, the fraudulent loans involved one of approximately five individuals, or groups of individuals (collectively referred to herein for convenience as the "brokers"), who were orchestrating the purchase and resale of gas stations (or gas station/convenience stores), or, in some instances, party stores, restaurants, or small motels. The broker would locate (and sometimes purchase) a property that was for sale, and then would find a person willing to "buy"

the property at an inflated price using an SBA-guaranteed loan issued by BLX.

In some instances, the buyer was truly interested in owning and operating a business. In other instances, the buyer was a "straw buyer" who did not intend to operate the business or to make loan payments, but was paid (or promised payment) by the broker to serve as a buyer. The broker profited from the mark-up in the price of the property. **HARRINGTON** profited by being compensated by BLX based, in part, upon the amount of loans he originated.

In order to "qualify" the buyers for SBA-guaranteed loans, **HARRINGTON** (or BLX Business Development Officers who worked under **HARRINGTON**), the brokers, and the buyers at times:

- fraudulently misrepresented the buyers' financial status;
- fraudulently misrepresented the buyers' work experience;
- fraudulently misrepresented that the buyer was a United States citizen;
- fraudulently concealed and covered-up the fact that someone other than the alleged buyer was going to be the beneficial owner and/or operate the business;
- fraudulently overstated the value of the property; and
- fraudulently documented and represented that the buyer had made the required "equity injection" into the business.

III. In furtherance of the conspiracy and to accomplish the objects thereof, the conspirators performed and caused to be performed in the Eastern District of Michigan, and elsewhere, the following overt acts, among others:

- a) The offenses alleged in counts two through fourteen were within the scope of the

conspiracy and were committed by the conspirators in the course of and in furtherance of the conspiracy, as each conspirator could reasonably foresee. These offenses are alleged and incorporated herein as overt acts.

b - k) On or about the following dates, **HARRINGTON** issued or caused to be issued a BLX loan commitment letter addressed to the specified borrowers. Each such instance is alleged as a separate overt act:

<b>Date (on or about)</b>	<b>Borrower (and owner)</b>
August 8, 2002	D & S Gas & Mini Mart, Inc. (Sanaa Dakhallah)
November 21, 2002	Allen Mini Mart, Inc. (Ali Bazzi)
January 8, 2003	N & J Gas, Inc. (Jihad Zahra)
April 21, 2003	Dima Oil, Inc. (Barbara Stylianou)
December 15, 2003	H&Z Oil, Inc. (Hassan Zeineddine)
May 24, 2004	A & Z, Inc. (Ali Abdul-Hak)
December 20, 2004	A & M Collision Shop, Inc. (Mohamed Hussein)
January 25, 2005 (amendment to commitment letter)	A & M Collision Shop, Inc. (Mohammad Hussein)
February 16, 2005	Lasho Coney Island, Inc. (Ibrahim Mehdi)
May 19, 2005	Quality Oil Change and Car Wash, Inc. (Hanaa Hamadi)

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 371.

COUNTS TWO through ELEVEN  
D-1: PATRICK J. HARRINGTON  
(18 U.S.C. §§ 1343, 2- Wire Fraud; Aiding and Abetting)

I. That the allegations set forth in Count 1 are realleged and incorporated herein.

II. That on or about the specified dates, in the Eastern District of Michigan, Southern Division, defendant **PATRICK J. HARRINGTON** ("**HARRINGTON**"), having devised and intending to devise the scheme to defraud and to obtain money by false and fraudulent pretenses and representations (which is described in Count 1), transmitted and caused to be transmitted by means of wire communication in interstate commerce, certain writings, signs, signals, pictures and sounds, for the purpose of executing such scheme. That is, on or about each date specified below, **HARRINGTON** knowingly transmitted and caused to be transmitted via fax, from BLX's office in Troy, Michigan, to the SBA Sacramento Loan Processing Center in California (fax telephone number 916.930.2160), a "Lender Checklist for Submitting PLP Loan Requests" form (and, for counts 9 and 10, also a "Request for SBAExpress Loan Number" form) relating to a proposed BLX loan to the specified borrower. Each such fax transmission constitutes a separate count of this Indictment:

<b>Count Number</b>	<b>Date (on or about)</b>	<b>Borrower</b>
2	May 29, 2002	Nakib Oil, Inc.
3	June 7, 2002	23 & 94, Inc.
4	August 13, 2002	D&S Gas & Mini Mart, Inc.
5	November 7, 2002	F & S Gas Mini Mart, Inc.
6	March 26, 2003	Clio Gas, Inc.
7	May 28, 2003	Samer Petroleum, Inc.

8	June 20, 2003	The Collision Shop Experts & Professionals, Inc.
9	December 3, 2003	Alfakhouri Gas & Mini Mart, Inc.
10	December 19, 2003	M&K Investment, LLC
11	August 3, 2004	A&A Oil, Inc.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTIONS 1343 AND 2.

COUNT TWELVE

D-1: PATRICK J. HARRINGTON

(18 U.S.C. §§ 1512, 2- Witness Tampering; Aiding and Abetting)

On or about November 7, 2005, in the Eastern District of Michigan, Southern Division, defendant **PATRICK J. HARRINGTON** (“**HARRINGTON**”) corruptly persuaded another person, and attempted to do so, with intent to hinder, delay, and prevent the communication to a law enforcement officer of the United States of information relating to the commission or possible commission of a Federal offense. That is, **HARRINGTON**, with the intent to prevent the communication of information relating to the commission of Federal offenses arising from the fraudulent issuance by BLX of an SBA-guaranteed loan to Advance Auto Service Center, Inc., persuaded and attempted to persuade Ahmed Qdeih and Mohammed Mustafa (the owners of Advance Auto Service Center) to falsely tell Special Agents from the Small Business Administration- Office of Inspector General, and the Department of Homeland Security- Immigration and Customs Enforcement, that an APCO invoice which indicated that “Advanced Auto Service Center” had paid APCO \$60,000 and was used to document, in part, the alleged

satisfaction of the equity injection requirement for the issuance of the loan, was legitimate, and that the \$60,000 had been paid in cash.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTIONS 1512 and 2.

COUNT THIRTEEN

D-1: PATRICK J. HARRINGTON

(18 U.S.C. § 1623- False Declarations Before Grand Jury)

I. That the allegations set forth in Count 1 are realleged and incorporated herein.

II. That on or about October 6, 2005, in the Eastern District of Michigan, Southern Division, defendant **PATRICK J. HARRINGTON** (“**HARRINGTON**”), testifying under oath before a Grand Jury (No. 05-3) of the United States investigating fraudulently obtained SBA-guaranteed loans, knowingly made a false material declaration. That is, **HARRINGTON**, who was at the time answering questions relating to an SBA-guaranteed loan issued by BLX to a business owned by Bassam Radwan and Sharif Affas, knowingly testified falsely with respect to material matters, as follows:

Q. And the same question with respect to the equity injection. Assuming, if you will for the moment, that these documents [which were used to show Radwan and Affas's alleged satisfaction of the equity injection requirement] are false, would you have any knowledge whatsoever of that?

A. No, I would not.

\* \* \*

Q. Again, assuming that this involves some falsehoods from the [loan] applicants, has that arisen in any other [Abdulla] Al-Jufairi cases, to your knowledge?

A. Not to my knowledge.

\* \* \*

In truth and as **HARRINGTON** well-knew at the time of his false testimony, the loan deals that Al-Jufairi brought to BLX, including the Radwan/Affas loan which was the subject of the Grand Jury's inquiry, utilized fictitious and fraudulent documentation, including false APCO construction invoices marked "paid", in order to falsely and fraudulently document the alleged satisfaction of the equity injection requirement for the issuance of an SBA-guaranteed loan.

**HARRINGTON's** testimony was material to the Grand Jury's investigation.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 1623.

COUNT FOURTEEN

D-1: PATRICK J. HARRINGTON

(18 U.S.C. §§ 1014, 2- False Statement to a Bank; Aiding and Abetting)

That on or about March 10, 2006, in the Eastern District of Michigan, Southern Division, defendant **PATRICK J. HARRINGTON** ("**HARRINGTON**") knowingly made a false statement and report for the purpose of influencing an institution the accounts of which were insured by the Federal Deposit Insurance Agency upon an application for a loan. That is, **HARRINGTON** signed a letter directed to Community South Bank, 2729 Spinnerbait Court, St. Augustine, FL, which stated that Samer Petroleum, Inc., the borrower under an SBA-guaranteed loan issued by BLX, was not in default, that payments on the loan had been timely following a period of deferment which had been granted in 2004 "while the owners renovated the property after a fire", and that a December 2005 [adverse] filing in an Experian credit report was in error. In truth and as **HARRINGTON** well-knew, the loan was in collections, the last payment on the loan had been made on or about August 17, 2005, and the adverse information in the Experian credit report was not in error. The SBA had already paid a claim of approximately \$647,654.80

as a result of Samer Petroleum, Inc.'s default, and **HARRINGTON** wrote the letter in an attempt to facilitate the sale of the underlying gas station property via financing from Community South Bank and to thereby get the "bad loan" off of BLX's books.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTIONS 1014 and 2.

**THIS IS A TRUE BILL.**

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GRAND JURY FOREPERSON

STEPHEN J. MURPHY  
United States Attorney

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STEPHEN T. ROBINSON (P 28030)  
Assistant United States Attorney

Dated: December 14, 2006