



THE UNITED STATES ATTORNEY'S OFFICE
EASTERN DISTRICT *of* WISCONSIN

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Department of Justice

U.S. Attorney's Office

Eastern District of Wisconsin

FOR IMMEDIATE RELEASE

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Multiple Defendants Charged in Fraud and Money Laundering Scheme Involving Over \$200 Million in Small Business Contracts

United States Attorney Matthew D. Krueger for the Eastern District of Wisconsin announced that on April 3, 2018, a federal grand jury returned a twenty-two count Indictment charging three defendants with a 12-year fraud and money laundering scheme involving over \$200 million in government-funded contracts intended to benefit small businesses. The Indictment named individuals Brian L. Ganos (age: 57) of Muskego and Mark F. Spindler (age: 56) of Menomonee Falls, and the business Sonag Company, Inc. as defendants. In a related case, Nicholas Rivecca, Sr. (age: 68) of Hartland, agreed to plead guilty to an Information charging him with conspiring to defraud the United States.

The indicted defendants were charged with a conspiracy to commit mail fraud and wire fraud. According to the Indictment, the conspiracy involved operating construction companies with straw owners who qualified as a disadvantaged individual or as a service-disabled veteran, but who did not actually control the companies. The conspirators then fraudulently obtained small business program certifications to win government-funded contracts to which they were not entitled. The Indictment alleges that "the conspirators enriched themselves, undermined the small business programs, and deprived honest small businesses of opportunities for work."

Specifically, the Indictment and Information allege the following:

- Nuvo Construction Company, Inc. was misrepresented to be majority-owned and controlled by J.L. in order to obtain certifications as a Small Disadvantaged Business from the U.S. Small Business Administration (SBA) and as a Disadvantaged Business Enterprise (DBE) from Milwaukee County. In reality, J.L. worked full-time for a different entity in Minnesota and did not actually control Nuvo.

- C3T, Inc. was misrepresented to be majority owned and controlled by T.A. to obtain verification as a Service-Disabled Veteran-Owned Small Business. In reality, for long stretches, T.A. had virtually no involvement in C3T.
- Pagasa Construction Company, Inc. was misrepresented to be majority owned and controlled by O.M. in order to obtain certification as a Small Disadvantaged Business from the SBA. In reality, O.M. relied on the assistance of conspirators to form Pagasa.

The Indictment alleges that the defendants used those certifications to obtain over \$200 million in federal, state, and local contract payments. These included federal construction contracts that were set aside for Small Disadvantaged Businesses or Service-Disabled Veteran-Owned Small Businesses. The Indictment also alleges that the scheme included using Nuvo's

DBE certification to win ready-mix concrete contracts based on the false representation that Nuvo provided ready-mix concrete independently when, in truth, Nuvo's concrete operations depended heavily on Sonag Ready Mix. As a part owner of Sonag Ready Mix, Nicholas Rivecca, Sr. agreed to plead guilty to that portion of the scheme.

According to the Indictment, on multiple occasions, the conspirators engaged in efforts to conceal the scheme and obstruct investigations into the matter. It alleges that, when interviewed, Ganos and Spindler each gave materially false statements to federal agents.

The Indictment also alleges that Ganos conspired with Sonag Company, Inc. and others to launder proceeds of the fraud scheme in order to disguise and conceal the nature, source, and location of those fraud proceeds. As a part of that conspiracy, Ganos is alleged to have transferred fraud proceeds from accounts of Nuvo and C3T to accounts that Ganos controlled.

The Indictment further charged Ganos with three counts of concealment money laundering transactions, one of which involved the purchase of a Corvette with proceeds of the fraud scheme, and seven counts of spending money laundering transactions.

United States Attorney Krueger stated: "These charges send a clear message to firms that seek public funds. Cheating will not be tolerated. Lying to regulators is a serious crime. And attempts to obstruct investigations will be prosecuted vigorously. We commend the collaboration and commitment of the federal agencies that investigated this case. Their work will help protect programs that assist honest firms led by disadvantaged individuals and veterans who were injured while serving our country."

Special Agent-in-Charge Justin Tolomeo of the Federal Bureau of Investigation added: "The FBI considers these charges an aggressive move toward justice for the legitimate minority, disadvantaged and service-disabled veteran small business owners of Wisconsin, who were harmed when the defendants abused the government programs that were designed to help them succeed. The FBI credits effective interagency collaboration for this success."

"The GSA Office of Inspector General will aggressively pursue contractors who make false representations in order to obtain federal contracts" said Special Agent-in-Charge, Stuart G.

Berman. "Schemes to fraudulently access opportunities designated as set-aside contracts cheat the government and deserving bidders."

Special Agent-in-Charge Gregg Hirstein of the VA Office of Inspector General added, "The VA's Service-Disabled Veteran-Owned Small Business set-aside program is designed to assist our nation's service-connected veterans in their legitimate post-service endeavors, not to further enrich already well established successful companies. The VA Office of Inspector General aggressively pursues cases in which this program is defrauded. Anyone aware of an ongoing similar fraud scheme can report that to the VA OIG Hotline by calling 1-800-488-8244 or emailing vaoighotline@va.gov."

"The Defense Criminal Investigative Service will investigate all allegations of abuse related to Government set aside programs designed to encourage and support veteran, woman and minority owned small businesses. DCIS will pursue all appropriate criminal, civil and administrative actions against individuals who abuse these programs for illicit financial gain," stated John F. Khin, Special Agent in Charge, Southeast Field Office.

"Today's charges stand as a deterrent to those who would engage in fraud and corruption for personal gain, and are a testament to the thorough and professional effort of our investigative and prosecutorial team," said Special Agent-in-Charge Brian Hauck, of the U.S. Army Criminal Investigation Command's North Central Fraud Field Office. "We will diligently continue our efforts to pursue those engaged in criminal activity that impacts the integrity of U.S. Government programs and resources within our purview."

"DBE fraud harms the integrity of the DBE program and law-abiding contractors, including many small businesses, by defeating efforts to ensure a level playing field in which all firms can compete fairly for contracts," said Thomas J. Ullom, Regional Special Agent-in-Charge of the U.S. Department of Transportation (DOT) Office of Inspector General. "Our agents will continue to work with the Department, the Federal Highway Administration, and other Federal, State, and local law enforcement and prosecutorial partners to expose and shut down DBE fraud schemes that adversely affect public trust and DOT-assisted highway programs in Wisconsin and throughout the country."

"The egregious fraud scheme alleged to have been perpetuated by the individuals and businesses subject to this Indictment denied eligible service-disabled, veteran-owned small business and other disadvantaged small businesses opportunities to prosper and grow their businesses," said SBA OIG Central Region Special Agent-in-Charge Talmadge J. Gaylor. "Federal contracts set aside for eligible service-disabled, veteran-owned and other disadvantaged small businesses are intended to grow these businesses and expand the nation's economic base. I want to thank the U.S. Attorney's Office and our law enforcement partners for their investigative leadership and dedication."

The maximum penalties for each of the wire and mail fraud-related charges are 20 years in prison, a \$250,000 fine, and forfeiture of criminal proceeds. The maximum term of imprisonment for conspiring to defraud the United States is five years. The maximum term of imprisonment for the money laundering conspiracy and for each of the three concealment money laundering charges is 20 years in prison. The maximum term of imprisonment for each of the seven spending laundering charges is 10 years in prison. Each of the 11 money laundering charge also

carries a fine of up to \$250,000 or twice the amount laundered and subjects the defendant to forfeiture of all money and property involved in the laundering transaction.

The forfeiture notice of the Indictment indicates that the United States seeks to forfeit real property located at 201 Zephyr Way, #2800, Winter Park, Colorado, and at 5500-5510 West Florist Avenue, Milwaukee, Wisconsin; a 2014 Chevrolet Corvette Stingray Convertible; and more than \$2.2 million seized from two bank accounts. Each of those assets is subject to civil forfeiture actions filed by the United States.

The following agencies are participating in the investigation: the Federal Bureau of Investigation; U.S. General Services Administration, Office of Inspector General; Department of Veterans Affairs, Office of Inspector General; Department of Defense, Office of the Inspector General, Defense Criminal Investigative Service; U.S. Department of Transportation, Office of Inspector General; U.S. Small Business Administration, Office of Inspector General, Investigations Division; Defense Contract Audit Agency; U.S. Army Criminal Investigations Command Major Procurement Fraud Unit.

The case is being prosecuted by United States Attorney Matthew D. Krueger and Assistant United States Attorney Zachary J. Corey. The related civil forfeiture cases are being prosecuted by Assistant United States Attorney Scott J. Campbell.

An indictment is only a charge and not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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For Additional Information Contact:

Public Information Officer Dean Puschnig 414-297-1700

Component(s):

USAO - Wisconsin, Eastern

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