



PRESS RELEASE

United States Obtains False Claims Act Judgment Against California Rehabilitation Center and Owner Relating to Improper Paycheck Protection Program Loan

Monday, January 26, 2026

For Immediate Release

Office of Public Affairs

The United States District Court for the Central District of California granted summary judgment to the United States against JMG Investments Inc., a California corporation which runs a rehabilitation center, and its owner, Jeffrey Schwartz, on Jan. 15, finding that they violated the False Claims Act when they knowingly received and retained more than one Paycheck Protection Program (PPP) loan prior to Dec. 31, 2020, in violation of PPP rules. The District Court ordered Schwartz and his company to pay the United States a total of \$1,565,294.38 in damages and penalties.

“PPP loans were intended to provide critical relief to small businesses,” said Assistant Attorney General Brett A. Shumate of the Justice Department’s Civil Division. “The department is committed to pursuing those who knowingly violated the requirements of the PPP and obtained relief funds to which they were not entitled.”

“Every pandemic relief dollar improperly used was money other businesses needed to stay afloat,” said First Assistant U.S. Attorney Bill Essayli for the Central District of California. “My

office will continue tracking down individuals and companies who unlawfully took advantage of COVID-19 government aid.”

“The favorable ruling in this case is the product of enhanced efforts by federal agencies such as the Small Business Administration working with the Department of Justice and other Federal law enforcement agencies to recover the product of this fraud as well as penalties,” said SBA General Counsel Wendell Davis.

The PPP, an emergency loan program established by Congress in March 2020 under the Coronavirus Aid, Relief and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA), was intended to support small businesses struggling to pay employees and other business expenses during the COVID-19 pandemic. A borrower applying for a PPP loan was required to make multiple certifications relating to its eligibility and compliance with program rules. Among other things, PPP loan applicants in 2020 were required to certify that they would not receive more than one PPP loan prior to Dec. 31, 2020.

In August 2024, the United States filed a complaint against JMG Investments and Schwartz alleging that they violated the False Claims Act when Schwartz, on behalf of JMG Investments Inc., improperly received two PPP loans in 2020 in violation of PPP rules, and thereafter knowingly and improperly retained the proceeds of the duplicate loan. According to the government’s complaint, Schwartz and JMG Investments Inc. failed to repay the duplicate loan as they were required, which resulted in a loss to the SBA when it purchased the loan guaranty on the duplicate loan. The District Court ruled that the United States had shown it was entitled to judgment on all claims asserted against the Defendants and, accordingly, awarded the United States summary judgment.

This judgment against JMG Investments Inc. and Jeffrey Schwartz resolves claims brought in a lawsuit filed under the *qui tam* or whistleblower provisions of the False Claims Act, which permit private parties to file suit on behalf of the United States for false claims and share in a portion of the government’s recovery. The United States may intervene in the action, as it did in this case. The amount of the whistleblower share in this case has not yet been determined. The *qui tam* case is captioned *U.S. ex rel. Quesenberry v. JMG Investments, Inc., et al*, No. 20-cv-8497-MWF (ASx) (C.D. Cal.).

The judgment obtained in this matter was the result of a coordinated effort between the Civil Division’s Commercial Litigation Branch, Fraud Section, and the U.S. Attorney’s Office for the Central District of California, with assistance from the SBA’s Office of General Counsel and Office of the Inspector General.

This matter was handled by Trial Attorneys Jared S. Wiesner and Paden R. Gallagher of the Civil Division, with assistance from Assistant U.S. Attorney Paul La Scala of the Central District of California.

Tips and complaints from all sources about potential fraud affecting COVID-19 government relief programs can be reported by visiting the webpage of the Civil Division's Fraud Section, which can be found [here](#). Anyone with information about allegations of attempted fraud involving COVID-19 can also report it by calling the Department of Justice's National Center for Disaster Fraud (NCDF) Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form.

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