



THE UNITED STATES
DEPARTMENT *of* JUSTICE

United States Attorney's Office
District of Oregon

FOR IMMEDIATE RELEASE
February 9, 2024
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Contact: Public Affairs Officer
Phone: (503) 727-1000
USAOR.PublicAffairs@usdoj.gov

**Vancouver Real Estate Developer Sentenced to Federal Prison for
Fraudulently Obtaining Covid-Relief Funds, Laundering Proceeds**

PORTLAND, Ore.—A real estate developer and part-time resident of Vancouver, Washington, was sentenced to federal prison today for fraudulently obtaining Covid-relief program funds and laundering a portion of the proceeds while on federal supervised release for a previous fraud conviction.

Michael James DeFrees, 62, was sentenced to 21 months in federal prison and five years' supervised release. He was also ordered to forfeit \$1.2 million and pay \$1.3 million in restitution to the U.S. Small Business Administration (SBA).

"Michael DeFrees's crimes demonstrated his indifference to both the many businesses suffering the economic effects of the COVID-19 pandemic and American taxpayers who funded the relief programs created to alleviate these impacts. Prosecuting COVID-19 fraud remains a top priority for the Department of Justice and our partners," said Ethan Knight, Chief of the Economic Crimes Unit for the U.S. Attorney's Office.

"Fraudulently using pandemic funds for personal gain is deplorable" said SBA Office of Inspector General (SBA-OIG) Western Region Special Agent in Charge Weston King. "This sentence demonstrates that those who defraud the nation's vital economic programs will be held accountable. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

"Crime doesn't pay, as Mr. DeFrees is again finding today," said Special Agent in Charge Adam Jobes, IRS Criminal Investigation (IRS:CI), Seattle Field Office. "Financial crime like Covid-relief fraud hurts all of us and undermines programs meant to help those in need. Today's sentencing is a reminder that IRS:CI is committed to fighting fraud for the well-being of all our neighbors and communities."

According to court documents, between April 2, 2020, and April 4, 2022, DeFrees used two different business entities to obtain under false pretenses Economic Injury Disaster Loans (EIDLs) and Paycheck Protection Program (PPP) loans administered by the SBA. The EIDL and PPP programs, initially authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enabled SBA to issue low-interest loans to small businesses adversely impacted by the pandemic and associated shutdowns.

To perpetrate his scheme, DeFrees submitted multiple loan applications to the SBA and two banks in Washington State. In these applications, DeFrees indicated that he was the sole owner of two business entities—Gateway National Corporation, a construction company incorporated in Washington State, and Yacht Harbor, LLC, a real estate development company incorporated in Oregon—and that he, as the sole owner, had never been convicted of any disqualifying criminal offense or recently placed on parole or probation.

In reality, at the time he submitted the applications, DeFrees was on probation following a 2017 felony conviction in the Western District of Washington for falsifying records in a bankruptcy proceeding. After receiving the loan payouts, DeFrees laundered a portion of the proceeds through a third business entity and spent the funds on personal expenses.

On May 17, 2022, a federal grand jury in Portland returned a four-count indictment [charging](#) DeFrees with two counts of wire fraud and one count each of bank fraud and money laundering. On October 26, 2023, DeFrees pleaded guilty to all four charges.

This case was investigated by the SBA Office of Inspector General, IRS-Criminal Investigation, the U.S. Treasury Inspector General for Tax Administration (TIGTA), and the FBI. Assistant U.S. Attorney Ryan W. Bounds prosecuted the case.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Justice Department's National Center for Disaster Fraud (NCDF) Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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