UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE
AT GREENEVILLE

FILED

JUL 15 2022

Clerk, U. S. District Court
Eastern District of Tennessee
At Greeneville

UNITED STATES OF AMERICA	)	No. 2:22-cr-76
	)	
v.	)	
	)	JUDGE Greer/Wyrick
CHAD BRANDON THOMAS	)	

PLEA AGREEMENT

The United States of America, by the United States Attorney for the Eastern District of Tennessee, and the defendant, Chad Brandon Thomas, and the defendant's attorney, L. Dudley Senter, Esquire, have agreed upon the following:

1. The defendant will waive indictment and arraignment and plead guilty to an information charging the defendant with the offense of wire fraud, a violation of 18 U.S.C. § 1343. The maximum, statutory punishment for this offense is a term of imprisonment of not more than 20 years, a fine of not more than $250,000, supervised release of not more than three years, a special assessment in the amount of $100, forfeiture of assets as set forth below, and restitution to any victim of the offense.

2. The United States agrees not to further prosecute the defendant in the Eastern District of Tennessee for any other non-tax criminal offenses committed by the defendant related to the charges contained in the information.

3. The defendant has read the information, discussed the charge and possible defenses with defense counsel, and understands the crime charged. Specifically, the elements of wire fraud in violation of 18 U.S.C. § 1343 are as follows: (1) the defendant knowingly devised a scheme to defraud in order to obtain money or property, that is, by submitting fraudulent loan applications under the Paycheck Protection Plan of the Coronavirus Aid, Relief, and ~~Economie~~ Security Act

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("CARES Act"); (2) the scheme included a material misrepresentation or concealment of a material fact; (3) the defendant had the intent to defraud; and (4) the defendant used wire, radio or television communications or caused another to use wire, radio or television communications in interstate commerce in furtherance of the scheme.

4. In support of the defendant's guilty plea, the defendant agrees and stipulates to the following facts, which satisfy the offense elements. These are the facts submitted for purposes of the defendant's guilty plea. They do not necessarily constitute all of the facts in the case. Other facts may be relevant to sentencing. Both the defendant and the United States retain the right to present additional facts to the Court to ensure a fair and appropriate sentence in this case.

Background Information

At all relevant times, the defendant was a resident of Blountville, Sullivan County, Tennessee and was the primary owner, or claimed to be the managing member, of the following small businesses that were purportedly headquartered and operating in the Eastern District of Tennessee: Kingdom of God, Inc. ("KOG"), a Tennessee corporation; C. Thomas Enterprises ("CTE"), a Tennessee corporation; and The Triangle Group ("TG"), a business alias name for defendant doing business as a sole proprietorship.

At all relevant times, KOG was a Tennessee corporation. According to the Tennessee Secretary of State's records, KOG was incorporated as a religious corporation on May 12, 2020, and was administratively dissolved on August 11, 2021, for failure to file an annual report. The Internal Revenue Service has no record of KOG ever submitting Form 941 reports for 2020. The Tennessee

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Department of Labor similarly has no record of KOG ever having employees or paying wages in 2020.

At all relevant times, CTE was a Tennessee corporation. According to the Tennessee Secretary of State's records, CTE was incorporated on February 3, 2016, and was administratively dissolved on August 11, 2021, for failure to file an annual report. The Internal Revenue Service has no record of CTE ever submitting Form 941 reports for the years 2018 through 2020. The Tennessee Department of Labor similarly has no record of CTE having employees or paying wages in 2019 and 2020.

At all relevant times, TG was a purported sole proprietorship operated by defendant. The Internal Revenue Service has no record of TG ever submitting Form 941 reports for the years 2018 through 2020. The Tennessee Department of Labor similarly has no record of TG having employees or paying wages in 2019 and 2020.

At all relevant times, the Bank of Southern California, N.A. ("BSC") was federally chartered bank. BSC was a financial institution as defined in 18 U.S.C. § 20, with deposits insured by the Federal Deposit Insurance Corporation.

At all relevant times, CDC Small Business Finance ("CDCSBF") was a small business lender and loan origination company that operated in San Diego, California and elsewhere. CDCSBF routinely processed and funded small business loan applications, with ACH funding by Bank of Southern California.

Paycheck Protection Program

The 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 were suffering the economic effects of the COVID-19 worldwide pandemic. One source of relief provided by the CARES Act

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was the authorization of up to $349 billion in forgivable loans to small businesses for job retention and certain other specified 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 for small businesses. The purpose of loans issued under the PPP was to enable small businesses suffering from the economic downturn to continue to pay salaries or wages to their employees.

The United States Small Business Administration ("SBA") is an executive-branch agency of the United States. The SBA was created in 1953 and is the only cabinet-level federal agency fully dedicated to small business. The SBA provides counseling, capital, and contracting expertise as the nation's resource and voice for small businesses. The SBA also provides government-backed loans through banks, credit unions, and other lenders. The PPP was administered by the SBA, which promulgated regulations concerning eligibility for PPP loans. Eligible businesses seeking a PPP loan could apply for the loan through a federally insured depository institution or its originators.

To obtain a PPP loan, a qualifying business had to submit a PPP loan application, signed by an authorized representative of the business. The PPP loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications to be eligible. In the PPP loan application, the small business (through its authorized representative) certified, among other things its average monthly payroll expenses and its number of employees. These figures were then used to calculate the amount of money the small business was eligible to receive under the PPP. In addition, businesses that applied for a PPP loan had to include documentation showing their payroll expenses and other information as part of the application.

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PPP loan applications were processed by a participating lender. If a PPP loan application was approved, the participating lender funded the PPP loan using its own monies, but the PPP loan was 100% guaranteed by the SBA. Data from the application, including information about the borrower, the total amount of the loan, and the listed number of employees, was transmitted by the lender to the SBA while processing the loan.

PPP loan proceeds had to be used by the business on the following permissible expenses: payroll costs, interest on mortgages, rent, and utilities. The PPP allowed the interest and principal on the PPP loan to be entirely forgiven if the business spent the loan proceeds on these expense items within a designated period of time after receiving the proceeds and used a certain amount of the PPP loan proceeds on payroll expenses. Using proceeds of a PPP loan for consumer goods, automobiles, personal residences, clothing, jewelry, to pay the borrower's personal federal income taxes, or to fund personal day-to-day living expenses unrelated to the specified authorized expenses was not permitted.

The Scheme to Defraud

Beginning in or about May 2020, and continuing through around in or about September 2020, defendant knowingly and willfully devised a scheme and artifice to defraud, and to obtain money and property, by means of materially false and fraudulent pretenses, representations, and promises. It was the purpose and object of the scheme for defendant to unjustly enrich himself and others by obtaining PPP loan proceeds under false and misleading pretenses, including by making false statements about the number of individuals his businesses employed, the average monthly payroll, and the intended use of the loan proceeds defendant obtained. It was also part of the

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scheme that defendant created false and fraudulent documents, including phony payroll lists and Internal Revenue Service ("IRS") payroll tax forms.

In total, defendant submitted three fraudulent PPP loan applications, one each for TG, CTE, and KOG. All three loans were approved, and each is detailed below.

Execution of the Scheme to Defraud

On or about May 3, 2020, defendant transmitted by interstate wire from the Eastern District of Tennessee to CDCSBF in San Diego, California, an application for PPP loan number 8240047208 on behalf of CTE. CDCSBF received the application on May 3, 2020. As part of the application, defendant falsely represented that CTE had six employees and an average monthly payroll of $12,470. Defendant also submitted a phony IRS form 941 with the application. In connection with the application, defendant included an authorization agreement for a one time ACH electronic transfer of funds signed by defendant to a Regions Bank account ending in 3903. A PPP loan of $31,200 was disbursed to that account on May 6, 2020.

On or about May 18, 2020, defendant transmitted by interstate wire from the Eastern District of Tennessee to CDCSBF in San Diego, California, an application for PPP loan number 3799417406 on behalf of TG. CDCSBF received the application on May 18, 2020. As part of the application, defendant falsely represented that TG had six employees and an average monthly payroll of $27,600. Defendant also submitted a phony IRS form 941 with the application. In connection with the application, defendant included an authorization agreement for a one time ACH electronic transfer of funds signed by defendant to a Regions Bank account ending in 7894. A PPP loan of $69,000 was disbursed to that account on May 20, 2020.

On or about July 6, 2020, defendant transmitted by interstate wire from the Eastern District of Tennessee to CDCSBF in San Diego, California, an application for PPP loan number

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6406478010 on behalf of KOG. CDCSBF received the application on July 6, 2020. As part of the application, defendant falsely represented that KOG had 26 employees and an average monthly payroll of $83,000. Defendant also submitted a phony payroll listing with the application that included minors, family members, and nationally known religious leaders as purported employees. In connection with the application, defendant included an authorization agreement for a one time ACH electronic transfer of funds signed by defendant to a Regions Bank account ending in 1974. A PPP loan of $207,500 was disbursed to that account on July 14, 2020.

Loss Amount:

Defendant stipulates and agrees that the above-described PPP loan applications that he submitted contained false statements and fraudulent documentation and constitute relevant conduct for purposes of this plea agreement.

Beginning on or about May 3, 2020, and continuing through on or about July 14, 2020, defendant submitted the following loan applications, each of which contained materially false and fraudulent documentation, and caused the following losses or intended losses:

Date of application	Details of Application	Amount
May 3, 2020	PPP loan application on behalf of CTE submitted to CDCSBF	$31,200
May 18, 2020	PPP loan application on behalf of TG submitted to CDCSBF	$69,000
July 6, 2020	PPP loan application on behalf of TG submitted to CDCSBF	$207,500
TOTAL		$307,700

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5. The defendant is pleading guilty because the defendant is in fact guilty. The defendant understands that, by pleading guilty, the defendant is giving up several rights, including:

a) the right to be indicted by a grand jury for these crimes;

b) the right to plead not guilty;

c) the right to a speedy and public trial by jury;

d) the right to assistance of counsel at trial;

e) the right to be presumed innocent and to have the burden of proof placed on the United States to prove the defendant guilty beyond a reasonable doubt;

f) the right to confront and cross-examine witnesses against the defendant;

g) the right to testify on one's own behalf, to present evidence in opposition to the charges, and to compel the attendance of witnesses; and

h) the right not to testify and to have that choice not used against the defendant.

6. The parties agree that the appropriate disposition of this case would be the following:

a) The Court may impose any lawful term of imprisonment, any lawful fine, and any lawful term of supervised release up to the statutory maximum;

b) The Court will impose special assessment fees as required by law;

c) The Court may order forfeiture as applicable and restitution as appropriate; and

d) Pursuant to Rule 11(c)(1)(B), Federal Rules of Criminal Procedure, and in consideration of the terms of this plea agreement and the policy statement set forth in U.S.S.G. § 6B1.2(b) and related commentary, the United States and the defendant agree and stipulate, and agree *to recommend* at the time of sentencing: (i) the intended loss amount from the offense is more than $250,000 but less than $550,000 for an increase of 12 levels under U.S.S.G. § 2B1.1(b)(1)(H);

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and (ii) the defendant engaged in sophisticated means for an increase of two levels under U.S.S.G. § 2B1.1(b)(10). The defendant understands and agrees that the recommendations set forth in this paragraph are made pursuant to Rule 11(c)(1)(B) and, as such, are not binding on the Court. The defendant further understands and agrees that if the recommendations set forth in this paragraph are rejected by the Court, that rejection may not be used by the defendant as a basis to rescind this plea agreement or withdraw the defendant's guilty plea.

No promises have been made by any representative of the United States to the defendant as to what the sentence will be in this case. Any estimates or predictions made to the defendant by defense counsel or any other person regarding any potential sentence in this case are not binding on the Court, and may not be used as a basis to rescind this plea agreement or withdraw the defendant's guilty plea(s). The defendant understands that the sentence in this case will be determined by the Court after it receives the presentence investigation report from the United States Probation Office and any information presented by the parties. The defendant acknowledges that the sentencing determination will be based upon the entire scope of the defendant's criminal conduct, the defendant's criminal history, and pursuant to other factors and guidelines as set forth in the Sentencing Guidelines and the factors set forth in 18 U.S.C. § 3553.

7. Given the defendant's agreement to plead guilty, the United States will not oppose a two-level reduction for acceptance of responsibility under the provisions of Section 3E1.1(a) of the Sentencing Guidelines. Further, if the defendant's offense level is 16 or greater, and the defendant is awarded the two-level reduction pursuant to Section 3E1.1(a), the United States agrees to move, at or before the time of sentencing, the Court to decrease the offense level by one additional level pursuant to Section 3E1.1(b) of the Sentencing Guidelines. Should the defendant engage in any conduct or make any statements that are inconsistent with accepting responsibility for the

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defendant's offense, including violations of conditions of release or the commission of any additional offense(s) prior to sentencing, the United States will be free to decline to make such motion, to withdraw that motion if already made, and to recommend to the Court that the defendant not receive any reduction for acceptance of responsibility under Section 3E1.1 of the Sentencing Guidelines.

8. The defendant agrees to pay the special assessment in this case prior to sentencing.

9. Unless otherwise limited by an agreed preliminary order of forfeiture, the defendant agrees to forfeit to the United States immediately and voluntarily any and all assets and property, or portions thereof, subject to forfeiture as proceeds of the defendant's violation of 18 U.S.C. § 1343, which are in the possession or control of the defendant or the defendant's nominees.

The defendant agrees to forfeit the defendant's interest in the following properties:

a. $161,938.01 of United States currency seized from Regions Bank on or about March 2, 2022, which represents proceeds the defendant personally derived from the violation of Title 18, United States Code, Section 1343.

b. A personal money judgment in the amount of $145,761.99 in favor of the United States and against the defendant, CHAD BRANDON THOMAS, which represents proceeds the defendant personally derived from the offense of Title 18, United States Code, Section 1343.

The defendant further agrees to assist the United States fully in the identification, recovery, and return to the United States of any other assets or portions thereof subject to forfeiture. The defendant further agrees to make a full and complete disclosure of all assets over which the defendant exercises control and those which are held or controlled by a nominee. The defendant agrees to forfeit all interests in the properties as described above and to take whatever steps are necessary to pass clear title to the United States. These steps include, but are not limited to, the surrender of title, the signing of a consent decree of forfeiture, and the signing of any other documents necessary to effectuate such transfers. The defendant agrees not to object to any civil or

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criminal forfeiture brought against these properties. The defendant agrees to take all such steps to locate such property and to pass title to the United States before the defendant's sentencing.

In the event a money judgment forfeiture is ordered, the Defendant agrees to send all money judgment payments to the United States Treasury. Defendant also agrees that the full money judgment amount shall be considered due and payable immediately. If the defendant cannot pay the full amount immediately and is placed in custody, the defendant agrees that the Bureau of Prisons will have the authority to establish payment schedules to ensure payment of the money judgment. The defendant further agrees to cooperate fully in efforts to collect on the money judgment by set-off of federal payments, execution on non-exempt property, and any other means the United States deems appropriate. The defendant and counsel also agree that the defendant may be contacted post-judgment regarding the collection of the money judgment without notifying defendant's counsel and outside the presence of the defendant's counsel.

10. The defendant agrees that the Court shall order restitution, pursuant to any applicable provision of law, for any loss caused to: (1) the victim(s) of any offense charged in this case (including dismissed counts); and (2) the victim(s) of any criminal activity that was part of the same course of conduct or common scheme or plan as the defendant's *charged* offense(s).

11. Financial Obligations. The defendant agrees to pay all fines and/or restitution to the Clerk of Court. The defendant also agrees that the full fine and/or restitution amount(s) shall be considered due and payable immediately. If the defendant cannot pay the full amount immediately and is placed in custody or under the supervision of the Probation Office at any time, the defendant agrees that the Bureau of Prisons and the Probation Office will have the authority to establish payment schedules to ensure payment of the fine and/or restitution. The defendant further agrees to cooperate fully in efforts to collect any financial obligation imposed by the Court by set-off of

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federal payments, execution on non-exempt property, and any other means the United States deems appropriate. The defendant and counsel also agree that the defendant may be contacted post-judgment regarding the collection of any financial obligation imposed by the Court without notifying the defendant's counsel and outside the presence of the defendant's counsel. In order to facilitate the collection of financial obligations to be imposed with this prosecution, the defendant agrees to disclose fully all assets in which the defendant has any interest or over which the defendant exercises control, directly or indirectly, including those held by a spouse, nominee, or other third party. In furtherance of this agreement, the defendant additionally agrees to the following specific terms and conditions:

a) If so requested by the United States, the defendant will promptly submit a completed financial statement to the U.S. Attorney's Office, in a form it provides and as it directs. The defendant promises that such financial statement and disclosures will be complete, accurate, and truthful.

b) The defendant expressly authorizes the U.S. Attorney's Office to obtain a credit report on the defendant in order to evaluate the defendant's ability to satisfy any financial obligation imposed by the Court.

c) If so requested by the United States, the defendant will promptly execute authorizations on forms provided by the U.S. Attorney's Office to permit the U.S. Attorney's Office to obtain financial and tax records of the defendant.

12. The defendant acknowledges that the principal benefits to the United States of a plea agreement include the conservation of limited government resources and bringing a certain end to the case. Accordingly, in consideration of the concessions made by the United States in this agreement and as a further demonstration of the defendant's acceptance of responsibility for the

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offense(s) committed, the defendant voluntarily, knowingly, and intentionally agrees to the following:

a) The defendant will not file a direct appeal of the defendant's conviction or sentence with one exception: The defendant retains the right to appeal a sentence imposed above the sentencing guideline range determined by the Court or above any mandatory minimum sentence deemed applicable by the Court, whichever is greater. The defendant also waives the right to appeal the Court's determination as to whether the defendant's sentence will be consecutive or partially concurrent to any other sentence.

b) The defendant will not file any motions or pleadings pursuant to 28 U.S.C. § 2255 or otherwise collaterally attack the defendant's conviction(s) or sentence, with two exceptions: The defendant retains the right to file a § 2255 motion as to (i) prosecutorial misconduct and (ii) ineffective assistance of counsel.

c) The defendant will not, whether directly or by a representative, request or receive from any department or agency of the United States any records pertaining to the investigation or prosecution of this case, including, without limitation, any records that may be sought under the Freedom of Information Act, 5 U.S.C. Section 552, or the Privacy Act of 1974, 5 U.S.C. Section 552a.

13. This plea agreement becomes effective once it is signed by the parties and is not contingent on the defendant's entry of a guilty plea. If the United States violates the terms of this plea agreement, the defendant will have the right to withdraw from this agreement. If the defendant violates the terms of this plea agreement in any way (including but not limited to failing to enter guilty plea as agreed herein, moving to withdraw guilty plea after entry, or by violating any court order or any local, state or federal law pending the resolution of this case), then the United States

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will have the right to void any or all parts of the agreement and may also enforce whatever parts of the agreement it chooses. In addition, the United States may prosecute the defendant for any and all federal crimes that the defendant committed related to this case, including any charges that were dismissed and any other charges which the United States agreed not to pursue. The defendant expressly waives any statute of limitations defense and any constitutional or speedy trial or double jeopardy defense to such a prosecution. The defendant also understands that a violation of this plea agreement by the defendant does not entitle the defendant to withdraw the defendant's guilty plea in this case.

14. The United States will file a supplement in this case, as required in every case by the Local Rules of the United States District Court for the Eastern District of Tennessee, even though there may or may not be any additional terms. If additional terms are included in the supplement, they are hereby fully incorporated herein.

15. This plea agreement and supplement constitute the full and complete agreement and understanding between the parties concerning the defendant's guilty plea to the above-referenced charge, and there are no other agreements, promises, undertakings, or understandings between the defendant and the United States. The parties understand and agree that the terms of this plea agreement can be modified only in writing signed by all of the parties and that any and all other promises, representations, and statements whether made before, contemporaneous with, or after this

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agreement, are null and void.

FRANCIS WILLIAM HAMILTON III
UNITED STATES ATTORNEY

7/15/22
Date

By: ______________________
Mac D. Heavener, III
Assistant United States Attorney

7-6-22
Date

____
Chad Brandon Thomas
Defendant

7/7/22
Date

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JEFFERSON FAIRCHILD
Attorney for the Defendant