

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 22-20290-CR-BLOOM

UNITED STATES OF AMERICA

v.

ERIC DEAN SHEPPARD,

Defendant.

[ALTERNATIVE] GENERAL ORDER OF FORFEITURE

THIS MATTER is before the Court upon motion of the United States of America (the “United States”) for entry of a Preliminary Order of Forfeiture (“Motion”) against Defendant Eric Dean Sheppard (the “Defendant”). The Court has considered the Motion, is otherwise advised in the premises, and finds as follows:

On August 23, 2023, a federal grand jury returned a Superseding Indictment charging the Defendant in Counts 1–9 with wire fraud in violation of 18 U.S.C. § 1343, among other counts. See Superseding Indictment, ECF No. 60. The Superseding Indictment also contained forfeiture allegations, which alleged that upon conviction of a violation of 18 U.S.C. § 1343, the Defendant shall forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to such offense, pursuant to 18 U.S.C. § 981(a)(1)(C).¹ See *id.* at 9–10. The forfeiture allegations also stated the Government’s intent to seek a forfeiture money judgment of

¹ Because the Defendant’s wire fraud scheme, in part, affected a financial institution, 18 U.S.C. § 982(a)(2)(A) is another basis for the Defendant to forfeit his proceeds. See 18 U.S.C. § 982(a)(2)(A). Under either 981(a)(1)(C) or 982(a)(2)(A), the Defendant must forfeit proceeds of his fraud scheme. As explained in detail *infra* n.6, although a reference to section 982(a)(2)(A) was mistakenly left off the Indictment and Superseding Indictment, the Court may still use section 982(a)(2)(A) as a basis for forfeiture against the Defendant.

at least approximately \$893,145, the sum of which represents the total amount funds constituting, or derived from, proceeds traceable to the alleged offenses and *fraud scheme*.² *See id.* at 9.

On January 12, 2024, after a trial, a jury returned a verdict finding the Defendant guilty of on Counts 5, 7, 8, 9, 13, and 14. *See* Trial Minute Entries, ECF Nos. 143, 145–46, 149, 154, 156–61, 163–64, 175–76, 179, 180, & 185; Jury Verdict, ECF No. 190³. Specifically, the jury found the Defendant guilty of executing a wire fraud scheme—*spanning from April 2020 through March 2021*—to fraudulently obtain PPP loan and EIDL proceeds from private lenders and the U.S. Small Business Administration (“SBA”) when the jury found the Defendant guilty of:

- submitting false and fraudulent Internal Revenue Service (“IRS”) Form 941s in support of Alafaya Trails second-draw PPP loan application with WebBank (Count 5);
- submitting a false and fraudulent PPP second-draw loan application on behalf of Alafaya Trails to Northeast Bank (Count 7);
- submitting a false and fraudulent IRS Form 1065 in support of Alafaya Trails’ second-draw PPP loan application with Northeast Bank (Count 8); and
- submitting a false and fraudulent PPP loan application, IRS Form 1065, and IRS Form 940 with Cross River Bank on behalf of HM Management (Count 9).

See Jury Verdict, ECF No. 190; Superseding Indictment 4–7. The jury also found the Defendant guilty of Aggravated Identity Theft in Counts 13 and 14.⁴

² *United States v. McKay*, 506 F. Supp. 2d 1206, 1211 (S.D. Fla. 2007) (government is not required to specify the amount of forfeiture money judgment it will be seeking in the indictment); *aff’d*, 285 F. App’x. 637 (11th Cir. 2008).

³ There is a scrivener’s error on the Verdict Form incorrectly indicating the Jury came to a verdict on January 12, 2023, instead of 2024.

⁴ In Count 13, the Defendant was charged with the use of a falsified IRS Form 1065 tax return submitted to Northeast Bank in support of Alafaya Trails’ PPP second-draw loan application, using the name, Employer Identification Number (“EIN”), Preparer Tax Identification Number (“PTIN”), of N.C.—the Defendant’s accountant; and in Count 14, he was charged with the use of

The United States Probation Office has since conducted a presentence investigation. The Final Presentence Investigation Report (“PSI”), which included information on the Defendant’s relevant conduct and his financial condition, was filed on May 31, 2024. *See* PSI, ECF No. 246.

On June 3, 2024, the Court, upon Defendant’s motion, acquitted the Defendant of Counts 13 and 14. *See* Omnibus Order on Def.’s Mot. for New Trial & Mot. for Acquittal 25, ECF No. 251.

On June 3, 2024, the United States filed a Motion for Preliminary Order of Forfeiture seeking a forfeiture money judgment in the amount of \$893,575 against the Defendant. *See* Gov’t Mot. for Preliminary Order of Forfeiture, ECF No. 252. The United States now files this Amended Motion for Preliminary Order of Forfeiture.

The Defendant was convicted on four of nine wire fraud counts.⁵ Those convictions necessarily required the jury to find the Defendant guilty as to an essential element of those counts—that the Defendant devised the scheme to defraud private lenders and the SBA spanning from April 2020 and continuing through March 2021. *See* Jury Verdict; Superseding Indictment. Between April 2020 and March 2021, the below-listed private lenders and the SBA funded six of the Defendant’s requested loans—relying on his fraudulent loan applications and fabricated supporting documents—totaling \$893,575:

a falsified IRS Form 1065 tax return submitted to Cross River Bank in support of HM Management’s PPP loan application, using the name, EIN, PTIN, of N.C. *See* Jury Verdict; Superseding Indictment 8.

⁵ Because the factual assertions supporting forfeiture were fully briefed in Government’s Response in Opposition to Defendant’s Motion for New Trial [ECF No. 215], and in United States’ Response to Defendant’s Objections to the Presentence Investigation Report [ECF No. 241], the United States hereby incorporates by reference ECF Nos. 215 and 241 and in this Motion generally summarizes the facts supporting the requested forfeiture money judgment.

<u>Date</u>	<u>Program</u>	<u>Lender</u>	<u>Entity</u>	<u>Amount Funded</u>
4/15/2020	PPP (1st Draw)	WebBank	Alafaya Trails	\$146,587
7/24/2020	EIDL	SBA	HM Management	\$150,000
7/24/2020	EIDL	SBA	Alafaya Trails	\$150,000
10/22/2020	EIDL	SBA	HM Four	\$150,000
3/11/2021	PPP (2nd Draw)	Northeast Bank	Alafaya Trails	\$148,397
3/12/2021	PPP	Cross River Bank	HM Management	\$148,591

Those PPP loan and EIDL applications submitted by the Defendant grossly misrepresented the number of people employed by each business, the respective businesses' revenues and monthly payroll expenses, and the type of business the borrowing entities were engaged in, among other material misrepresentations. *See* PSI ¶ 15. In support of the Defendant's fabricated and misrepresented loan applications, the Defendant submitted falsified documents, including IRS and Florida Department of Revenue forms. *See id.* at ¶¶ 15, 23, 30, 37, 39, 42, 46, 48. In an effort to keep his illusion of legitimacy from unveiling, the Defendant took the fraud scheme a step further by flagrantly forging the signatures of others—including his accountant—on various documents submitted in support of his PPP loan and EDIL applications. *See id.* at ¶¶ 15, 33, 37, 42–43, 48–49, 53–54, 61.

a) The Defendant, Through Alafaya Trails, Fraudulently Obtained \$444,984 in PPP Loan and EIDL Proceeds Between April 2020 and March 2021.

During the relevant time, WebBank, Northeast Bank, and the SBA funded \$444,984 in PPP loan and EIDL proceeds on behalf of Alafaya Trails and disbursed the funds to the Defendant. WebBank, Northeast Bank, and the SBA relied on the Defendant's misrepresented loan

applications and fabricated supporting documents when approving the respective loans, the proceeds of which the Defendant obtained as part of the ongoing wire fraud scheme.

Specifically, Alafaya Trails' April 15, 2020, PPP loan application with WebBank is an example showing the Defendant's wire fraud scheme was continuous, spanning from April 2020 to March 2021. On April 15, 2020, the Defendant submitted a PPP loan application on behalf of Alafaya Trails' to PayPal (a loan processor for WebBank). PSI ¶ 17. In the application, the Defendant claimed that Alafaya Trails had **eighty (80) employees**, a monthly payroll of \$58,583, was engaged in commercial building construction, and was "doing business as" HM Management, among other material misrepresentations. *See id.*; Gov't Composite Ex. 17 (PayPal Records for Alafaya Trails). The evidence established that was untrue. Alafaya Trails did not have a single employee—a far cry from the eighty employees the Defendant claimed that Alafaya Trails employed. *See* Gov't Ex. 13-4 & 13-5 (Certifications of Lack of Record of Form 940 & 941 for Alafaya Trails); Gov't Ex. 16-2 (Fla. Dept. of Rev. No Records for Alafaya Trails); *see also* Gov't Composite Ex. 19 (PPP Second-Draw Application) (The jury found the Defendant guilty of Count 5, submission of false & fraudulent IRS Form 941s in support of Alafaya Trails' second-draw PPP loan with PayPal/WebBank.). In fact, the evidence showed that HM Management was the *only* business to ever report employees to the IRS—listing three employees in total. *See* PSI ¶¶ 15, 17. As a result of the Defendant's misrepresentations, WebBank approved the loan and disbursed \$146,587 to a bank account controlled by the Defendant. *Id.* at ¶¶ 17–19.

However, the Defendant's fraud scheme did not stop with the Alafaya Trails' fraudulent April 15, 2020, PPP loan. Rather, the Defendant continued the scheme almost a year later when he applied to have the loan forgiven in May 2021. *Id.* at ¶ 20. In the Defendant's loan forgiveness application, he claimed that Alafaya Trails' payroll costs skyrocketed to \$488,338.81 between

May and October 2020. *See id.* In support of his false payroll expenses, the Defendant submitted a “PPP Labor Report,” which falsely listed the Defendant and independent contractors as employees of Alafaya Trails. *See id.* Based on the Defendant’s fraudulent application and supporting documents, PayPal approved the loan forgiveness, and the SBA reimbursed WebBank for the PPP loan. *See id.*; Gov’t Composite Ex. 18 (Forgiveness Application).

While the Defendant argues that the SBA’s loan forgiveness renders the PPP loan “not fraudulent,” that argument is devoid of logic. *See* Def.’s Sentencing Memo & Obj. to PSI 14, n.6, ECF No. 236. As the evidence at trial showed, the Defendant fabricated the information in both the original application *and* the loan-forgiveness application, including fabricating IRS documents, among others, to support the illusion that he was entitled to receive the original PPP loan in the first place and its subsequent forgiveness. Frauds do not cancel each other out. Regardless of the SBA forgiving Alafaya Trails’ April 15, 2020, PPP loan based on lies, the evidence established Alafaya Trails’ many fraudulent statements. *See* PSI ¶ 20. The repayment of the PPP loan, if anything, simply swaps one victim (the bank) for another—the SBA.

Likewise, Alafaya Trails’ July 24, 2020, EIDL proceeds also are derived from the Defendant’s ongoing fraud scheme. In that EIDL application, the Defendant claimed Alafaya Trails employed only twelve (12) people, among other material misrepresentations. *See id.* at ¶24; Gov’t Composite Ex. 24. The Defendant completed the EIDL application, along with EIDL applications for three other businesses he owned, using Nationwide Lending Direct’s online portal. *See* PSI ¶ 22. Again, the evidence showed that Alafaya Trails never employed a single person—rendering the company’s July 24, 2020, EIDL fraudulent. Based on the fraudulent application, the SBA approved the EIDL loan and disbursed \$150,000. *See id.* at ¶ 25.

Moreover, on March 11, 2021, the Defendant applied for a second-draw PPP loan on behalf of Alafaya Trails with Northeast Bank. *Id.* at ¶ 41. In the fraudulent PPP loan application, the Defendant again misrepresented the number of people employed by Alafaya Trails and the wages allegedly paid to these purported employees. *See id.* at ¶¶ 41–45. This time, however, the Defendant claimed Alafaya Trails employed nineteen (19) people—down from eighty (80) and, coincidentally, lowered around the time when SBA directed lenders to prioritize businesses with twenty (20) or fewer employees. *See id.* ¶¶ at 36, 41. Despite the decrease in purported employees, the Defendant still claimed Alafaya Trails paid \$59,359 in monthly wages—almost the same amount the Defendant claimed he paid when the company purportedly employed eighty (80) people. *See id.* at ¶¶ 17, 36, 41. As a result of the fraudulent PPP loan application and the fabricated—and forged—supporting documents, Northeast Bank funded the PPP loan and deposited \$148,397 into a bank account controlled by the Defendant. *See id.* at ¶ 45.

The jury found the Defendant guilty, in Superseding Indictment Counts 7, 8, and 13, of submitting false and forged documents as part of his scheme to fraudulently obtain PPP loan proceeds on behalf of Alafaya Trails. *See Jury Verdict; Superseding Indictment.* Specifically, in Counts 7, 8, and 13, the Jury found the Defendant used the name, Employer Identification Number, and Preparer Tax Identification Number of his accountant, N.C., on a falsified IRS Form 1065 submitted in support of the March 11, 2021, fraudulent PPP loan application on behalf of Alafaya Trails with Northeast Bank. *See Superseding Indictment 7–8; Jury Verdict.*

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b) The Defendant, Through HM Management, Fraudulently Obtained \$298,591 in PPP Loan and EIDL Proceeds Between April 2020 and March 2021.

The evidence at trial established that HM Management was the *only* company that *historically* employed between two to three individuals, with tax year 2018 being the last time HM Management reported paying any employees. PSI ¶¶ 15, 23, 30, 37, 39, 42, 46, 48. Nonetheless, as part of a flurry of fraudulent EIDL applications the Defendant filed on July 24, 2020, the Defendant claimed that HM Management had fourteen (14) employees, gross revenues of \$1,540,000, and a cost of goods sold of \$850,000. *See id.* at ¶ 23. To obtain the EIDL loan, and in support thereof, the Defendant supplied Nationwide with a false and forged 2019 tax return listing fake salaries and wages. *See* PSI ¶ 23; Gov't Composite Ex. 62. IRS and Florida Department of Revenue records refute the claims made in the EIDL application. *See id.* at ¶¶ 15, 23, 30, 37, 39, 42, 46, 48.

What's more, the jury found the Defendant guilty of submitting false and forged documents to Cross River Bank as part of his scheme to fraudulently obtain PPP loan proceeds on behalf of HM Management. *See* PSI ¶¶ 46–50; Jury Verdict. Specifically, the Jury found, in Counts 9 and 14, that the Defendant used the name, EIN, and PTIN of his accountant, N.C., on a falsified IRS Form 1065 submitted in support of HM Management's March 12, 2021, PPP loan application with Cross River Bank. *See* Superseding Indictment 7–8; Jury Verdict. Although the Defendant has since been acquitted of Count 14 (Aggravated Identify Theft), the Court found the Defendant's use of his accountant's means of identification for the IRS forms lent credibility to the fraud. *See* Omnibus Order on Def's Mot. for New Trial & Mot. for Acquittal 25.

As a result of these fraudulent PPP loan and EIDL applications, and the falsified supporting

documents, Cross River Bank funded a \$148,591 PPP loan and the SBA funded a \$150,000 EIDL, both of which were deposited into bank accounts controlled by the Defendant. See PSI ¶ 50.

c)The Defendant, Through HM Four, Fraudulently Obtained \$150,000 in EIDL Proceeds Between October 2020 and November 2021.

As previously mentioned, the Defendant's fraud scheme spanned various businesses owned by the Defendant. Although the Defendant was acquitted of Counts 1, 3, 4, and 11, relating to the submission HM Four's EIDL application, the Defendant's scheme to defraud included other conduct associated with HM Four's EIDL, which extended from October to November 2020. The evidence at trial showed the Defendant's conduct included numerous wire transmissions containing false information, some of which the Defendant acknowledged when he testified. For instance, one-day after the SBA questioned the validity of certain information the Defendant submitted in support of an EIDL application for HM Six, LLC, he switched his tactic and applied for another EIDL on behalf of HM Four, LLC using his wife's name. See PSI ¶ 29; Gov't Composite Ex. 26. The Defendant admitted that he pretended to be his wife when applying for the EIDL loan—a fraud. See Tr. 1/9/24 A.M., at 83–84.

Not only did the Defendant claim to be his wife when applying for the EIDL, but he also falsely represented that HM Four had three employees, gross revenues of \$950,000, cost of goods sold of \$250,000, and lost rental income due to Covid-19 pandemic of \$450,000. See PSI ¶ 30. And when the SBA requested to see an actual bank statement, the Defendant lied again. This time, on November 16, 2020, the Defendant transferred \$60,000 from Alafaya Trails' bank account to HM Four's account—which account was opened the same day he applied for the EIDL. See Gov't Exs. 5, 39-11, 39-12, 58-4–58-7. The Defendant then submitted the bank statement to the SBA on November 17, 2020; transferring back \$50,000 to Alafaya Trails afterwards. See Tr. 1/9/24 P.M., at 12–13; Gov't Exs. 39-12, 58-5, 58-7. The Defendant even admitted that he sent the November

17, 2020 email to the SBA with the bank statement attached, and that the email contained false information about the HM Four account. *See* Tr. 1/9/24 P.M. at 13-14; Gov't Ex. 58-4. Based on the fraudulent application, and falsified supporting documents, the SBA approved and funded a \$150,000 EIDL for HM Four.

Based on the record in this case, the total value of the proceeds traceable to the offenses of conviction is \$893,575, which may be sought as a forfeiture money judgment pursuant to Rule 32.2 of the Federal Rules of Criminal Procedure.

Accordingly, based on the foregoing, the evidence in the record, and for good cause shown, the Motion is **GRANTED**, and it is hereby **ORDERED** that:

1. Pursuant to 18 U.S.C. §§ 981(a)(1)(C) and 982(a)(2)(A), 21 U.S.C. § 853, and Rule 32.2 of the Federal Rules of Criminal Procedure, a forfeiture money judgment equal in value to the proceeds traceable to the offenses of conviction is hereby entered against the Defendant.

2. This Order shall be amended when the amount of money to be forfeited has been determined, as provided by Rule 32.2(b)(1)(C)(iii) of the Federal Rules of Criminal Procedure.

3. The United States is authorized to conduct any discovery that might be necessary to identify, locate, or dispose of forfeited property, and to resolve any third-party petition, pursuant to Rule 32.2(b)(3), (c)(1)(B) of the Federal Rules of Criminal Procedure and 21 U.S.C. § 853(m).

4. Pursuant to Rule 32.2(b)(4) of the Federal Rules of Criminal Procedure, this Order is final as to the Defendant.

5. The Court shall retain jurisdiction in this matter for the purpose of enforcing this Order, and pursuant to Rule 32.2(e)(1) of the Federal Rules of Criminal Procedure, shall amend this Order, or enter other orders as necessary, to forfeit additional specific property when identified.

DONE AND ORDERED in Miami, Florida, this _____ day of June 2024.

BETH BLOOM
UNITED STATES DISTRICT JUDGE