FILED

AUG 20 2024

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF ILLLINOIS
E. ST. LOUIS OFFICE

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA, Plaintiff, vs. KATHERINE L. LIGGINS, Defendant.	)	Criminal No. 24-cr-30113-DWD Title 18, United States Code, Sections 1001(a)(2) & 1343

INDICTMENT

THE GRAND JURY CHARGES:

COUNT ONE
Wire Fraud – 18 U.S.C. § 1343

1. At times relevant to this indictment:

   a. Defendant Katherine L. Liggins was a resident of Swansea, Illinois, within the Southern District of Illinois.

   b. Defendant Liggins was a full-time employee of the United States Department of Veterans Affairs ("VA"). Liggins worked at the VA Regional Office located in St. Louis County, Missouri.

   c. Benworth Capital Partners, LLC, was a private lending institution located in Florida which participated in the PPP program.

2. At times relevant to this indictment:

   a. The Paycheck Protection Program ("PPP") was a COVID-19 pandemic relief program administered by the United States Small Business Administration ("SBA") that provided forgivable loans to small businesses

for job retention and certain other expenses. The PPP permitted participating third-party lenders to approve and disburse SBA-backed PPP loans to cover payroll, fixed debts, utilities, rent/mortgage, accounts payable and other bills incurred by qualifying businesses during, and resulting from, the COVID-19 pandemic. PPP loans were fully guaranteed by the SBA.

b. To obtain a PPP loan, a qualifying business had to submit a PPP loan application, which was 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 to obtain the PPP loan, including that the business was in operation and either had employees for whom it paid salaries and payroll taxes. A business applying for a PPP loan was required to provide documentation showing its payroll expenses, such as filed federal income tax documents.

c. Beginning in March 2021, SBA began allowing sole proprietors to calculate the amount of the PPP loan they could receive using their gross income. The maximum amount of a PPP loan that a sole proprietor with no employees could receive was $20,833.33.

d. Once approved, the business received the PPP loan proceeds via an electronic funds transfer from the third-party lender to a financial account under the control of the business.

e. The proceeds of a PPP loan could be used for certain specified items, such as payroll costs, costs related to the continuation of group health care benefits, or mortgage interest payments. The proceeds of a PPP loan were not permitted to be used by the borrowers to purchase consumer goods, automobiles, personal residences, clothing, jewelry, to pay the borrower's personal federal income taxes, or to fund the borrower's ordinary day-to-day living expenses unrelated to the specified authorized expenses.

f. If the borrower made all of the required certifications on the loan application form, and provided all of the required documentation, the lender issued the SBA guaranteed PPP loan.

g. If, during the 8 to 24 week period after the loan was disbursed, the borrower used the PPP loan to pay eligible payroll costs, business mortgage interest payments, rent, or utilities, the borrower was eligible for forgiveness of their PPP loan.

h. Borrowers who received PPP loans of $150,000 or less who were seeking forgiveness of their loans were required to submit a "PPP Loan Forgiveness Application Form" in which they certified that they used the funds for eligible purposes.

i. Within 60 days of receiving a PPP Loan Forgiveness Application, the lender was required to decide whether the borrower was eligible for forgiveness of their PPP loan and submit its decision to the SBA. The lender was also required to submit to the SBA at that same time its request for

payment on the loan. If approved by the SBA, the SBA reimbursed the lender for 100% of the amount of the loan that was forgiven.

j. Borrowers who were ineligible to receive a PPP loan were not entitled to receive loan forgiveness. In addition, borrowers who used PPP loan funds for unauthorized purposes were not entitled to have their PPP loans forgiven.

k. SBA had the authority and discretion to review any PPP loan at any time. If the SBA chose to review a PPP loan, the lender was required to provide to the SBA any documents related to the loan, including the Loan Application, all supporting documentation for the loan application, the Loan Forgiveness Application, and all supporting documentation for the loan forgiveness application.

3. Beginning on at least April 25, 2021, and continuing until at least October 14, 2022, at Swansea, in St. Clair County, within the Southern District of Illinois, and elsewhere,

KATHERINE L. LIGGINS,

defendant herein, knowingly devised and participated in a scheme to defraud Benworth Capital Partners, LLC, and the SBA and to obtain money and property belonging to Benworth Capital Partners, LLC, and the SBA by means of false and fraudulent pretenses, representations, and promises.

4. It was the object of this scheme that LIGGINS would and did obtain more than $20,000 in PPP loan funds that he was not entitled to receive.

5. It was a part of the scheme to defraud that on approximately April 25, 2021, LIGGINS caused to be submitted to Benworth Capital Partners, LLC, a "Paycheck Protection

Program Borrower Application Form for Schedule C Filers Using Gross Income." LIGGINS electronically signed this PPP application form and caused her initials to be electronically placed next to the answers to certain questions and representations and certifications.

6. The PPP loan application that LIGGINS submitted falsely represented that LIGGINS was the owner of a business located in Swansea that received $200,000 in gross revenue in 2020.

7. On the PPP loan application, LIGGINS' initials were placed next to a certification which read: "Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." This certification was false, as LIGGINS well knew.

8. On the PPP loan application, LIGGINS' initials were also placed next to a certification which read: "The funds will be used to retain workers and maintain payroll; or make payments for mortgage interest, rent, utilities, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures as specified under the Paycheck Protection Program Rules. . . ." This certification was false, as LIGGINS well knew.

9. On the PPP loan application, LIGGINS' initials were also placed next to a certification which read: "I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects." This certification was false, as LIGGINS well knew.

10. It was further a part of the scheme to defraud that a fraudulent IRS form Schedule C for the year 2020 was submitted to Benworth Capital Partners, LLC, in support of LIGGINS' PPP loan application. This Schedule C represented that LIGGINS was the owner of a business called L'Lsheek Spa. In addition, this Schedule C contained the following false statements: (a)

the business had gross receipt or sales totaling $200,000 in 2020; (b) the business had total expenses of $47,000 in 2020; and (c) the business had a net profit of $124,000 in 2020.

11. LIGGINS' PPP loan application was approved by Benworth Capital Partners, LLC. As a result, LIGGINS received PPP loan proceeds in the amount of $20,833.33.

12. LIGGINS subsequently submitted to Benworth Capital Partners, LLC, a PPP Loan Forgiveness Application. Benworth Capital Partners, LLC, approved LIGGINS' application and her PPP loan was forgiven on October 14, 2022.

13. On or about May 7, 2021, defendant

KATHERINE L. LIGGINS,

for the purpose of executing the scheme to defraud described above, and attempting to do so, knowingly did cause to be transmitted by means of a wire communication in interstate commerce, from the state of Florida, to the state of Texas, certain signals, namely a wire transfer of funds in the amount of $20,833;

All in violation of Title 18, United States Code, Sections 1343.

COUNT TWO
Material False Statement – 18 U.S.C. § 1001(a)(2)

On or about April 25, 2021, at Swansea, in St. Clair County, within the Southern District of Illinois,

KATHERINE L. LIGGINS,

defendant herein, did knowingly and willfully make, and cause to be made, a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the United States Small Business Administration ("SBA"), an agency within the executive branch of the Government of the United States, namely the statement on a "Paycheck Protection Program Borrower Application Form for Schedule C Filers Using Gross Income" that he was the owner of a business located in Swansea, Illinois, that had gross income of $200,000 during the 2020 tax year;

All in violation of Title 18, United States Code, Section 1001(a)(2).

A TRUE BILL

[redacted]

Rachelle A. Crowe

RACHELLE AUD CROWE
United States Attorney

Scott Verseman

SCOTT A. VERSEMAN
Assistant United States Attorney

Recommended bond: Unsecured Bond