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**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

UNITED STATES OF AMERICA,

Plaintiff,

v.

KAREN CHAPON,
aka "Karen Hannafious,"

Defendant.

CRIMINAL INDICTMENT

Case No. 2:20-cr- 286

VIOLATIONS:

Bank Fraud
(18 U.S.C. § 1344(2));

False Statements to a Financial
Institution
(18 U.S.C. § 1014); and

Unlawful Monetary Transaction
(18 U.S.C. § 1957)

FORFEITURE ALLEGATION

1 **THE GRAND JURY CHARGES THAT:**

2 **Background**

3 At all times relevant to the Indictment, unless otherwise stated:

4 1. Defendant Karen CHAPON, also known by her maiden name "Karen
5 Hannafious," was a United States citizen, residing in Las Vegas, Nevada and San Diego,
6 California.

7 2. Automobile Dealership A was an automobile dealership located in Las Vegas,
8 Nevada.

9 **Paycheck Protection Program**

10 3. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act is a
11 federal law enacted in or around March 2020 and is designed to provide emergency
12 financial assistance to the millions of Americans who are suffering the economic effects
13 caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was
14 the authorization of up to \$349 billion in forgivable loans to small businesses for job
15 retention and certain other expenses, through a program referred to as the Paycheck
16 Protection Program ("PPP"). In or around April 2020, Congress authorized over \$300
17 billion in additional PPP funding.

18 4. In order to obtain a PPP loan, a qualifying business must submit a PPP loan
19 application, which is signed by an authorized representative of the business. The PPP loan
20 application requires the business (through its authorized representative) to acknowledge the
21 program rules and make certain affirmative certifications in order to be eligible to obtain the
22 PPP loan. In the PPP loan application, the small business (through its authorized
23 representative) must state, among other things, its: (a) average monthly payroll expenses;
24 and (b) number of employees. These figures are used to calculate the amount of money the

1 small business is eligible to receive under the PPP. In addition, businesses applying for a
2 PPP loan must provide documentation showing their payroll expenses.

3 5. A participating financial institution (the lender) must process a PPP loan
4 application. If the lender approves a PPP loan application, it funds the PPP loan using its
5 own monies, which the Small Business Administration ("SBA") guarantees 100%. The
6 lender transmits information to the SBA in the course of processing the loan data from the
7 application, including information about the borrower, the total amount of the loan, and the
8 listed number of employees.

9 6. The business receiving the PPP loan proceeds must spend the funds on certain
10 permissible expenses: payroll costs, interest on mortgages, rent, and utilities. The PPP
11 allows the interest and principal on the PPP loan to be entirely forgiven if the business
12 spends the loan proceeds on these expense items within a designated period of time and uses
13 a specified portion of the PPP loan proceeds on payroll expenses.

14 Relevant Financial Institutions

15 7. Bank 1 was a federally insured financial institution. It was an SBA approved
16 lender and participated as a PPP lender to small businesses.

17 8. Bank 2 was a federally insured financial institution. It was an SBA approved
18 lender, participated as a PPP lender to small businesses, and accepted loan applications
19 directly, as well as through online portals that allowed borrowers to submit a single
20 application to access loans from a variety of different lenders.

21 9. Bank 3 was a federally insured financial institution. It was an SBA approved
22 lender, participated as a PPP lender to small businesses, and accepted loan applications
23 directly, as well as through online portals that allowed borrowers to submit a single
24 application to access loans from a variety of different lenders.

The Scheme to Defraud

10. Beginning in or around April 2020 and continuing until in or around July 2020, CHAPON knowingly devised, intended to devise, and participated in a scheme and artifice to defraud the SBA, Bank 1, Bank 2, and Bank 3, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises.

11. As further described below, CHAPON, through corporate entities Heavenly Tahoe Properties, Desert Sun Events, and Tahoe Weddings and Events, submitted at least six false and fraudulent applications to three different financial institutions to obtain loans through the Paycheck Protection Program (PPP) guaranteed by the Small Business Administration (SBA).

Purpose of the Scheme to Defraud

12. It was the purpose of the scheme for CHAPON to unjustly enrich herself by fraudulently obtaining PPP loan proceeds.

Manner and Means of the Scheme to Defraud

Heavenly Tahoe Properties Bank 2 Loan

13. As part of the scheme to defraud, on or about May 19, 2020, CHAPON submitted a signed PPP Borrower Application Form (SBA Form 2483) in support of a \$537,500 PPP loan for Heavenly Tahoe Properties from Bank 2. CHAPON made the application in the name of "Karen Hannafious" through an online portal, and Bank 2 issued the loan.

14. On her signed PPP Borrower Application Form, she made the following misrepresentations, among others: (1) CHAPON falsely represented that Heavenly Tahoe Properties' average monthly payroll expenses were \$215,000 and that it had 18 employees, when in fact it had no payroll expenses or employees; (2) CHAPON falsely certified that

1 Heavenly Tahoe Properties was in operation on February 15, 2020, and had employees for
2 whom it paid salaries and payroll taxes or paid independent contractors, when in fact it was
3 not in operation and did not pay employees or independent contractors; (3) CHAPON
4 falsely represented that she had not pleaded guilty, been convicted, or been placed on any
5 form of parole or probation for any felony within the prior five years, when in fact
6 CHAPON pled guilty to several felony fraud offenses in Nevada state court in 2016 and
7 remained on parole until January 2020; and (4) CHAPON falsely certified that the loan
8 funds would be used to retain workers and maintain payroll or make mortgage interest
9 payments, lease payments, and utility payments, in accordance with PPP rules, when in fact
10 CHAPON intended to divert the proceeds for her personal benefit.

11 15. Additionally, to support the requested loan amount, CHAPON submitted a
12 fraudulent IRS Form 940 Federal Unemployment Tax Return (IRS Form 940) for 2019 for
13 Heavenly Tahoe Properties, which falsely stated that Heavenly Tahoe Properties made over
14 \$2.4 million in employee payments in 2019.

15 16. On or about May 19, 2020, Bank 2 approved the PPP loan for Heavenly
16 Tahoe Properties and distributed the \$537,500 in loan proceeds to a bank account controlled
17 by CHAPON.

18 Additional PPP Loan Applications

19 17. As further part of the scheme, CHAPON, including through her maiden
20 name "Karen Hannafious," applied for at least five additional PPP loans on behalf of three
21 different entities from three different lending institutions, as identified below. CHAPON
22 obtained loan proceeds for three of these PPP loan applications. The remaining two
23 applications were denied—one of which was denied before CHAPON requested a specific
24 loan amount:

Business Name	Lending Bank	Loan Amount Applied For	Amount Disbursed	Approximate Date of Loan Application
Desert Sun Events	Bank 1	\$19,715	\$19,715	April 22, 2020
Desert Sun Events	Bank 2	\$19,716	\$19,716	May 5, 2020
Tahoe Weddings and Events	Bank 3	\$20,000	\$20,000	May 6, 2020
Heavenly Tahoe Properties	Bank 3	\$500,000	\$0	May 15, 2020
Tahoe Weddings and Events	Bank 2	--	\$0	June 30, 2020

18. As further part of the scheme, in support of each of the additional five PPP loan applications CHAPON made the following material misrepresentations, among others: (1) CHAPON falsely represented the average monthly payroll expenses for the entity applying for the loan to justify the loan amounts; and (2) CHAPON submitted fraudulent 2019 IRS Forms for the entity applying for the loan or for herself individually that supported the false average monthly payroll expenses claimed on each loan application.

19. As further part of the scheme, CHAPON made the following material misrepresentations, among others, in connection with certain of the additional five PPP loan applications: (1) CHAPON falsely represented that she had not pleaded guilty, been convicted, or been placed on parole for any felony in the prior five years; (2) CHAPON submitted falsified bank account statements to falsely make it appear that the PPP loan funds were being disbursed into a bank account controlled by the entity applying for the loan; (3) CHAPON falsely certified that the entity applying for the PPP loan would only use the loan proceeds to retain workers and maintain payroll or to make other payments as specified under the Paycheck Protection Program Rule, when in fact CHAPON intended to divert the proceeds for personal benefit; (4) CHAPON falsely certified that the entity applying for the PPP loan was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, when in fact it was not in operation and did not make salary or payroll payments; and (5) CHAPON falsely

1 represented additional information about the entity applying for the loan, including the
2 number of its employees and its annual revenue.

3 20. Additionally, as further part of the scheme, CHAPON falsely represented on
4 the Desert Sun Events Bank 2 application that Desert Sun Events “has not and will not
5 receive” another PPP loan between February 15, 2020 and December 31, 2020. In fact,
6 CHAPON received the proceeds of the Desert Sun Events Bank 1 loan in a bank account
7 she controlled approximately one day before CHAPON submitted the application for the
8 Desert Sun Events Bank 2 loan.

9 21. CHAPON directed that the PPP loan proceeds be disbursed to bank accounts
10 under her control, and diverted the funds for her personal use.

11 22. Finally, on or about July 23, 2020, CHAPON made copies of a bank account
12 statement that was falsified to make it appear that the bank account was held in the name of
13 CHAPON doing business as (d/b/a) Tahoe Weddings and Events, and not just CHAPON
14 individually.

COUNTS ONE THROUGH FOUR

(Bank Fraud)

(18 U.S.C. § 1344(2))

23. The allegations in paragraphs 1 through 22 are re-alleged and incorporated as if fully set forth herein.

24. From in or around April 2020 through in or around July 2020, in the State and Federal District of Nevada, and elsewhere,

KAREN CHAPON, aka "Karen Hannafious,"

defendant herein, knowingly devised, intended to devise, and participated in the above-described scheme and artifice to obtain the moneys, funds, credits, assets, securities, and property owned by and under the custody and control of Bank 1, Bank 2, and Bank 3 by means of materially false and fraudulent pretenses, representations, and promises.

25. On or about the dates identified below, in the State and Federal District of Nevada, and elsewhere,

KAREN CHAPON, aka "Karen Hannafious,"

Defendant herein, knowingly executed the above-described scheme as described below, each execution constituting a separate count.

COUNT	DATE	DESCRIPTION OF EXECUTION
ONE	April 22, 2020	Submission to Bank 1 of PPP loan application in the name of Desert Sun Events seeking \$19,715
TWO	May 5, 2020	Submission to Bank 2 of PPP loan application in the name of Desert Sun Events seeking \$19,716
THREE	May 6, 2020	Submission to Bank 3 of PPP loan application in the name of Tahoe Weddings and Events seeking \$20,000
FOUR	May 19, 2020	Submission to Bank 2 of PPP loan application in the name of Heavenly Tahoe Properties seeking \$537,500

All in violation of Title 18, United States Code, Section 1344(2).

COUNTS FIVE THROUGH SIX
 (False Statement to a Financial Institution)
 (18 U.S.C. § 1014)

26. The allegations in paragraphs 1 through 22 are re-alleged and incorporated as if fully set forth herein.

27. On or about the dates identified below, in the State and Federal District of Nevada, and elsewhere,

KAREN CHAPON, aka "Karen Hannafious,"

defendant herein, knowingly made the false statements and reports described below for the purposes of influencing the action of a financial institution, whose accounts were insured by the Federal Deposit Insurance Corporation, upon an application, agreement, and loan, each false statement constituting a separate count:

COUNT	DATE	DESCRIPTION OF FALSE STATEMENT
FIVE	May 15, 2020	Fraudulent 2019 IRS Form 940 Federal Unemployment Tax Return (IRS Form 940) CHAPON submitted in support of her loan application on behalf of Heavenly Tahoe Properties to Bank 3 containing false statement about total payments made to employees.
SIX	June 30, 2020	Fraudulent 2019 IRS Form 940 Federal Unemployment Tax Return (IRS Form 940) CHAPON submitted in support of her loan application on behalf of Tahoe Weddings and Events to Bank 2 containing false statement about total payments made to employees.

All in violation of Title 18 United States Code, Section 1014.

COUNT SEVEN
(Unlawful Monetary Transaction)
(18 U.S.C. § 1957)

28. The allegations in paragraphs 1 through 25 are re-alleged and incorporated as if fully set forth herein.

29. On or about June 5, 2020, in the State and Federal District of Nevada and elsewhere,

KAREN CHAPON, aka "Karen Hannafious,"
defendant herein, knowingly engaged in a monetary transaction in criminally derived property of a value greater than \$10,000 that was in fact derived from specified unlawful activity, that is, bank fraud, in violation of Title 18, United States Code, Section 1344, as alleged in Counts One through Four, to wit: CHAPON caused a cashier's check to be issued by Bank 1 to Automobile Dealership A in the amount of \$49,987.73 for the purchase of a Mercedes-Benz Sport Utility Vehicle ("SUV"), all in violation of Title 18, United States Code, Section 1957.

FORFEITURE ALLEGATION ONE

(Bank Fraud)

1. The allegations contained in Counts One through Four of this Criminal Indictment are hereby realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C) with 28 U.S.C. § 2461(c) and 18 U.S.C. § 982(a)(2)(A).

2. Upon conviction of any of the felony offenses charged in Counts One through Four of this Criminal Indictment,

KAREN CHAPON, aka "Karen Hannafious,"

defendant herein, shall forfeit to the United States of America, any property, real or personal, which constitutes or is derived from proceeds traceable to a violation of 18 U.S.C. § 1344, or a conspiracy to commit such offense:

defendant herein, shall forfeit to the United States of America, any property, real or personal, which constitutes or is derived from proceeds traceable to a violation of 18 U.S.C. § 1344, a specified unlawful activity as defined in 18 U.S.C §§ 1956(c)(7)(A) and 1961(1)(B), or a conspiracy to commit such offense:

defendant herein, shall forfeit to the United States of America, any property constituting, or derived from, proceeds obtained directly or indirectly, as the result of violations of 18 U.S.C. § 1344, or a conspiracy to violate such offense, affecting a financial institution:

1. an in personam criminal forfeiture money judgment including, but not limited to, at least \$596,931;
2. \$504,385.19; and
3. a gray 2018 Mercedes Benz G63 AMG sports utility vehicle with vehicle

1 identification number (VIN) WDCYC7DH6JX291626
 2 (all of which constitutes property).

3 3. If any property being subject to forfeiture pursuant to 18 U.S.C. §
 4 981(a)(1)(C) with 28 U.S.C. § 2461(c) and 18 U.S.C. § 982(a)(2)(A), as a result of any act or
 5 omission of the defendant -

- 6 a. cannot be located upon the exercise of due diligence;
- 7 b. has been transferred or sold to, or deposited with, a third party;
- 8 c. has been placed beyond the jurisdiction of the court;
- 9 d. has been substantially diminished in value; or
- 10 e. has been commingled with other property which cannot be divided
 11 without difficulty;

12 it is the intent of the United States of America, pursuant to 21 U.S.C. § 853(p), to seek
 13 forfeiture of any other property of the defendant for the property listed above.

14 All pursuant to 18 U.S.C. § 981(a)(1)(C) with 28 U.S.C. § 2461(c); 18 U.S.C. §
 15 982(a)(2)(A); 18 U.S.C. § 1344; and 21 U.S.C. § 853(p).

16 **FORFEITURE ALLEGATION TWO**
 17 **(Engaging in Transactions in Unlawful Proceeds)**

18 1. The allegations contained in Count Seven of this Criminal Indictment are
 19 hereby realleged and incorporated herein by reference for the purpose of alleging forfeiture
 20 pursuant to 18 U.S.C. § 981(a)(1)(A) with 28 U.S.C. § 2461(c); 18 U.S.C. § 981(a)(1)(C)
 21 with 28 U.S.C. § 2461(c); and 18 U.S.C. § 982(a)(1).

22 2. Upon conviction of the felony offense charged in Count Seven of this
 23 Criminal Indictment,

24 **KAREN CHAPON, aka "Karen Hannafious,"**

1 defendant herein, shall forfeit to the United States of America, any property, real or
 2 personal, involved in transactions or attempted transactions in violation of 18 U.S.C. §
 3 1957, or any property traceable to such property:

4 defendant herein, shall forfeit to the United States of America, any property, real or
 5 personal, which constitutes or is derived from proceeds traceable to a violation of 18 U.S.C.
 6 § 1957, a specified unlawful activity as defined in 18 U.S.C §§ 1956(c)(7)(A) and
 7 1961(1)(B), or a conspiracy to commit such offense:

8 defendant herein, shall forfeit to the United States of America, any property, real or
 9 personal, involved in violations of 18 U.S.C. § 1957, or any property traceable to such
 10 property:

11 1. an in personam criminal forfeiture money judgment including, but not
 12 limited to, at least \$49,987.73; and

13 2. a gray 2018 Mercedes Benz G63 AMG sports utility vehicle with vehicle
 14 identification number (VIN) WDCYC7DH6JX291626

15 (all of which constitutes property).

16 3. If any property being subject to forfeiture pursuant to 18 U.S.C. §
 17 981(a)(1)(A) with 28 U.S.C. § 2461(c); 18 U.S.C. § 981(a)(1)(C) with 28 U.S.C. § 2461(c);
 18 and 18 U.S.C. § 982(a)(1), as a result of any act or omission of the defendant -

- 19 a. cannot be located upon the exercise of due diligence;
- 20 b. has been transferred or sold to, or deposited with, a third party;
- 21 c. has been placed beyond the jurisdiction of the court;
- 22 d. has been substantially diminished in value; or
- 23 e. has been commingled with other property which cannot be divided
- 24 without difficulty;

1 it is the intent of the United States of America, pursuant to 21 U.S.C. § 853(p), to seek
2 forfeiture of any other property of the defendant for the property listed above.

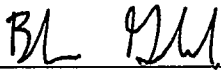
3 All pursuant to 18 U.S.C. § 981(a)(1)(A) with 28 U.S.C. § 2461(c); 18 U.S.C. §
4 981(a)(1)(C) with 28 U.S.C. § 2461(c); 18 U.S.C. § 982(a)(1); 18 U.S.C. § 1957; and 21
5 U.S.C. § 853(p).

6 DATED this 21st day of October, 2020.

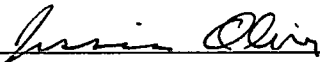
7 A TRUE BILL:

8 /S/
9 FOREPERSON OF THE GRAND JURY

10 DANIEL S. KAHN
11 Acting Chief, Fraud Section

12 
13 BLAKE C. GOEBEL
14 Trial Attorney

15 NICHOLAS A. TRUTANICH
16 United States Attorney

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