PFE/JRH: September 2023
GJ # 33

**IN THE UNITED STATES DISTRICT COURT**
**FOR THE NORTHERN DISTRICT OF ALABAMA**
**WESTERN DIVISION**

| | | |
|---|---|---|
| **UNITED STATES OF AMERICA** | ) | |
| | ) | **Case No.:** |
| **v.** | ) | |
| | ) | |
| **REGINALD DEWAYNE RHODES JR.** | ) | |

# INDICTMENT

The Grand Jury charges that:

## COUNT ONE
## 18 U.S.C. §§ 1343 and 2

### *Introduction*

At all times relevant to this Indictment:

1. The defendant resided in Tuscaloosa County within the Northern District of Alabama.

2. The United States Small Business Administration ("SBA") was an executive branch agency of the United States government that provided support to entrepreneurs and small businesses.

3. The SBA enabled and provided for loans through banks, credit unions, and other lenders. These loans had government-backed guarantees. In addition to traditional SBA funding programs, The Coronavirus Aid, Relief, and Economic

Security ("CARES") Act established several new temporary programs and provided for the expansion of others to address the COVID-19 pandemic, which was declared a nationwide disaster by the President on March 13, 2020.

4. One of the new programs was the SBA Paycheck Protection Program ("PPP"), which was a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. Under this program, the SBA could forgive all or part of loans if employees were kept on the payroll for eight weeks and borrowers submitted documentation confirming the loan proceeds were used for certain qualifying business expenses (i.e., payroll, rent, mortgage interest, or utilities).

5. Interested applicants applied through an existing SBA lender or any other participating federally insured financial institution. The PPP application process required applicants to submit a Borrower Application Form through an SBA-approved financial entity. The application contained information as to the purpose of the loan, average monthly payroll, number of employees, and background of the business and its owner. Applicants were also required to submit documentation supporting their representations about the business. Those applying for PPP loans as sole proprietors or self-employed individuals would often include 2019 IRS Form 1040 Schedule C ("Profit or Loss From Business") with their application as evidence of the profits and losses from the year prior to the COVID-

19 pandemic and to demonstrate that the business was a going concern as of February 15, 2020, a loan application requirement.

6. Applicants were also required to make certain good faith certifications and representations, including that the business was in operation on February 15, 2020, economic uncertainty had necessitated their loan requests for continued business operations, and that they intended to use the loan proceeds only for the authorized purposes. Applicants were also required to certify that the information provided in the application and all supporting documentation is true and correct in all material respects and that knowingly making a false statement to obtain the loan is punishable under federal law.

7. Upon receipt and processing of a PPP loan application by an SBA-approved lender, the SBA created a loan number which was, in turn, transmitted from SBA servers in Sterling, VA to the SBA-approved lender.

8. "Lender 1" was an SBA-approved PPP lender headquartered in Florida.

***The Scheme and Artifice***

9. Beginning on an unknown date, but no later than in or around April 2021 and continuing through in or around June 2021, in the Northern District of Alabama and elsewhere, the defendant,

**REGINALD DEWAYNE RHODES JR.**,

knowingly devised and intended to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises.

***Manner and Means of the Scheme and Artifice***

10. The manner and means by which the defendant sought to accomplish the scheme to defraud included, among others, the following:

a. It was a part of the scheme and artifice that the defendant would and did purport to own and operate a small business when in fact the business was nonoperational.

b. It was further a part of the scheme and artifice that, to induce the SBA and financial institutions to fund PPP loans for the nonoperational business, the defendant would and did prepare and submit, and cause to be prepared and submitted, in interstate commerce, false and fraudulent applications to financial institutions and the SBA that included materially false and fraudulent representations and pretenses, such as:

i. including fraudulent supporting documentation, such as fabricated and misleading tax records and bank statements;

ii. making false certifications regarding his eligibility to apply for a PPP loan and the operation of the business; and

iii. affirming the truth of the statements and supporting documentation in the application.

c. It was further a part of the scheme and artifice that the defendant would and did cause federally insured financial institutions to send PPP loan proceeds via interstate wire transfers.

d. It was further a part of the scheme and artifice that the defendant would and did perform acts and make statements to promote and achieve the object for the scheme and artifice to misrepresent, hide, and conceal, and cause to be misrepresented, hidden, and concealed, the purpose of the scheme and artifice and the acts committed in furtherance thereof.

***The Wire Communications***

11. On or about June 4, 2021, in the Northern District of Alabama and elsewhere, the defendant, **REGINALD DEWAYNE RHODES JR.**, for the purpose of executing the above-described scheme and artifice and attempting to do so, did cause to be transmitted in interstate commerce, by means of a wire communication, certain signs and signals, specifically an $11,770 wire from Lender 1 into the defendant's bank account in Alabama.

All in violation of 18 U.S.C. §§ 1343 and 2.

## NOTICE OF FORFEITURE

12. The allegations contained in Count One are incorporated by reference for the purpose of alleging forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c).

13. Upon conviction of a violation of 18 U.S.C. § 1343, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violation.

14. The property to be forfeited includes, but is not limited to, a money judgment of at least $11,770, representing the proceeds obtained from the offense.

15. If any of the property described above, because of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty, the United States shall be entitled to forfeiture of substitute property pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c).

A TRUE BILL

*/s/ Electronic Signature*
FOREPERSON OF THE GRAND JURY

PRIM F. ESCALONA
United States Attorney

*/s/ Electronic Signature*
JONATHAN "JACK" HARRINGTON
Assistant United States Attorney