UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

WILLIAM MANDEL MUSGROW,

Defendant.

ED CR No. 5:24-cr-00162-KK

I N F O R M A T I O N

[18 U.S.C. § 1343: Wire Fraud; 26 U.S.C. § 7206(2): Aiding and Assisting in the Preparation of a False Tax Return]

The United States Attorney charges:

COUNT ONE

[18 U.S.C. § 1343]

A. INTRODUCTORY ALLEGATIONS

At times relevant to this Information:

1. Defendant WILLIAM MANDEL MUSGROW was a resident of Riverside County, California.

2. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was a federal law enacted in or around March 2020 that was designed to provide emergency financial assistance to Americans suffering economic harm as a result of the COVID-19 pandemic.

3. The Economic Injury Disaster Loan ("EIDL") Program was a United States Small Business Administration ("SBA") program that

provided low-interest financing to small businesses, renters, and homeowners in regions affected by declared disasters.

4. The CARES Act authorized the SBA to provide EIDLs up to $2 million to eligible small businesses experiencing substantial financial disruption due to the COVID-19 pandemic. In addition, the CARES Act authorized the SBA to issue advances of up to $10,000 to small businesses applying for an EIDL.

5. To obtain an EIDL and an advance, a qualifying business was required to submit an application to the SBA and provide information about its operations, such as the number of employees, gross revenues for the 12-month period preceding the disaster, and cost of goods sold in the 12-month period preceding the disaster. In the case of EIDLs for COVID-19 relief, the 12-month period extended from January 1, 2019, to January 31, 2020. Applicants certified that all the information in the application was true and correct to the best of their knowledge.

6. EIDL applications were submitted directly to the SBA and processed by the agency with support from a government contractor, The amount of the loan was determined, in part, on the information provided by the applicant about employment, revenue, and cost of goods, as described above. Any funds issued under an EIDL or advance were issued directly by the SBA.

7. EIDL funds could be used for payroll expenses, sick leave, production costs, and business obligations, such as debts, rent, and mortgage payments. If the applicant also obtained a loan under the Payroll Protection Program ("PPP"), the EIDL loan funds could not be used for the same purpose as the PPP loan funds.

B. THE SCHEME TO DEFRAUD

8. Beginning on or about March 30, 2020, and continuing until at least August 14, 2020, in Riverside County, within the Central District of California, and elsewhere, defendant MUSGROW, knowingly and with intent to defraud, devised, executed, and participated in a scheme to defraud financial institutions and the SBA, and to obtain money and property by means of material false pretenses, representations, and promises, and the concealment of material facts.

C. MEANS TO ACCOMPLISH THE FRAUDULENT SCHEME

9. The scheme was carried out, in substance, as follows:

a. In 2018 and 2019, prior to the COVID-19 pandemic, defendant MUSGROW incorporated numerous corporations with the California Secretary of State, including Edein LLC, Heathrow Enterprises, Mystic Wolff LLC, Musgrow Organization LLC, Will & Co LLC, Hand & Hand Inc., Forward Pace Inc., and Millennial Investment Group.

b. During the pandemic, defendant MUSGROW utilized the already established entities to apply for eleven EIDL loans, even though the majority of these entities existed in name only and had no employees, assets, or ongoing operations.

c. Defendant MUSGROW made and caused to be made false statements to the SBA in connection with obtaining EIDL loan funds on behalf of the entities, including false representations regarding the number of employees and gross revenues, and a false certification that the information contained within the application was true and correct.

d. In reliance on defendant MUSGROW’s material false and fraudulent statements and his concealment of material facts, the SBA approved and funded the applied-for EIDL loans, by transferring money to an account that defendant MUSGROW controlled.

e. Defendant MUSGROW used the fraudulently obtained EIDL loan proceeds for his own personal benefit, rather than for permissible business purposes.

D. USE OF THE WIRES

10. On or about July 3, 2020, in Riverside County, within the Central District of California, and elsewhere, defendant MUSGROW, for the purpose of executing the above-described scheme to defraud, transmitted and caused the transmission of a wire communication in interstate commerce, namely, defendant MUSGROW caused the transmission of a wire transfer from Palm Springs, California, to the SBA's server located in Colorado, by electronically submitting an EIDL application on behalf of Edein LLC.

COUNT TWO

[26 U.S.C. § 7206(2)]

On or about March 9, 2019, in Riverside County, within the Central District of California, and elsewhere, defendant WILLIAM MANDEL MUSGROW willfully aided and assisted in, and procured, counseled, and advised the preparation and presentation to the IRS of U.S. Individual Income Tax Return, Form 1040, in the name of R.V. for calendar year 2018, which was false and fraudulent as to a material matter, in that Line 1 of such Form 1040 reported that R.V. had been paid wages of $112,000, and Line 16 of such Form 1040 reported that R.V. had federal income tax withholdings of $63,523 when, in fact, as defendant MUSGROW then knew and believed, R.V. was not employed by Heathrow Inc. during calendar year 2018 and R.V. did not have any income tax withholdings from such employment.

E. MARTIN ESTRADA
United States Attorney

MACK E. JENKINS
Assistant United States Attorney
Chief, Criminal Division

SEAN D. PETERSON
Assistant United States Attorney
Chief, Riverside Branch Office

BENJAMIN J. WEIR
Assistant United States Attorney
Riverside Branch Office