

FILED.

DATED: 1:51 pm, August 10, 2020

U.S. MAGISTRATE JUDGE

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13 **UNITED STATES DISTRICT COURT**
14 **DISTRICT OF NEVADA**

15 UNITED STATES OF AMERICA,

16 Plaintiff,

17 v.

18 KAREN CHAPON,
aka "Karen Hannafious,"

19 Defendant.

Case No. 2:20-mj-664-BNW

SEALED COMPLAINT for violations of:

Bank Fraud
(18 U.S.C. § 1344(2));

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

21 BEFORE the United States Magistrate Judge, Las Vegas, Nevada, the undersigned
22 complainant, being first duly sworn, states that:
23
24

1 to investigate violations of United States laws, to collect evidence in cases in which the
2 United States is, or may be, a party in interest, and to perform other duties imposed by law
3 as well as other specialized federal law enforcement training. I have investigated violations
4 of federal statutes governing various types of white-collar crime, including wire fraud, bank
5 fraud, money laundering, and theft of government and public money. I am familiar with,
6 and have participated in, the normal methods of investigation, including, but not limited to,
7 visual surveillance, conducting interviews, drafting and executing seizure warrants,
8 executing search and arrest warrants, and conducting consensually monitored audio and
9 video recordings.

10 2. The following information is based upon, among other things, my review of
11 records and documents obtained during the course of this investigation, information
12 conveyed to me orally or via written communication by other employees or agents of the
13 FBI, agents of the Office of Inspector General of the United States Small Business
14 Administration (SBA), agents of the Department of the United States Treasury Inspector
15 General for Tax Administration (TIGTA), and witnesses, and my experience and
16 background as an FBI SA. Since this Affidavit is being submitted for the limited purpose of
17 securing a criminal complaint, I have not included each and every fact known to me
18 concerning this investigation. I set forth only the facts that are necessary to establish
19 probable cause that violations of 18 U.S.C. § 1344(2) (Bank Fraud) and 18 U.S.C. § 1014
20 (False Statements to a Financial Institution) have occurred.

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1 **Introduction**

2 3. The government is investigating fraud committed by KAREN CHAPON,
3 also known as “Karen Hannafious.”¹ There is probable cause to believe KAREN
4 CHAPON, through her corporate entities Heavenly Tahoe Properties, Desert Sun Events,
5 and Tahoe Weddings and Events, submitted at least six false and fraudulent applications to
6 three different banks to obtain loans through the Paycheck Protection Program (PPP)
7 guaranteed by the Small Business Administration (SBA). In total, KAREN CHAPON
8 successfully obtained at least four of the loans totaling approximately \$596,231.²

9 4. The loan applications contained a number of false statements. First, evidence
10 obtained in the investigation shows that the monthly payroll figures on which the loan
11 amounts were based were false, and the purported IRS filings supporting the payroll figures
12 were fraudulent. In support of each of the six loan applications, KAREN CHAPON
13 submitted purported IRS filings that she represented had been filed for the 2019 tax year on
14 behalf of the purported companies or herself individually. These filings supported the
15 monthly payroll figures that KAREN CHAPON submitted in the PPP loan applications by
16 documenting that her purported companies were generating significant amounts of revenue,
17 were paying a number of employees, or both. A search of IRS records confirmed that: i) the
18 IRS has no record of any of the three purported entities filing tax returns for 2019, and ii)
19 KAREN CHAPON’s individual 2019 federal tax return does not contain the purported

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21 _____
22 ¹ Karen Chapon also uses the name Karen Hannafious. “Hannafious” is likely Chapon’s
maiden name, subject to confirmation.

23 ² As described in more detail below, for one of the four loans Bank 3 issued the \$20,000 in
24 loan proceeds to an account that KAREN CHAPON controlled at Bank 1 on or about May
13, 2020. Bank 1 then closed the account on or about May 28, 2020 with a \$19,808.48
closing balance. It later returned \$19,808.48 to Bank 3.

1 program rules and make certain affirmative certifications in order to be eligible to obtain the
2 PPP loan. In the PPP loan application, the small business (through its authorized
3 representative) must state, among other things, its: (a) average monthly payroll expenses;
4 and (b) number of employees. These figures are used to calculate the amount of money the
5 small business is eligible to receive under the PPP. In addition, businesses applying for a
6 PPP loan must provide documentation showing their payroll expenses.

7 8. A participating financial institution (the lender) must process a PPP loan
8 application. If the lender approves a PPP loan application, it funds the PPP loan using its
9 own monies, which the SBA guarantees 100%. The lender transmits information to the
10 SBA in the course of processing the loan data from the application, including information
11 about the borrower, the total amount of the loan, and the listed number of employees. The
12 SBA oversees the PPP, which has authority over all loans. To date, over 5,000 lending
13 institutions, mostly banks and credit unions, have participated in the PPP.

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

19 **Defendant Karen Chapon**

20 10. KAREN CHAPON is a citizen of the United States and has a California
21 Driver License issued in November 2019, with a listed address in San Diego, California.
22 According to information obtained in the investigation, during the relevant conduct in April
23 through July 2020, KAREN CHAPON was living in San Diego, California, and Las Vegas,
24 Nevada.

1 **The SBA PPP Loans**

2 15. The investigation has revealed evidence that KAREN CHAPON applied for
3 at least six fraudulent loans on behalf of three entities. She successfully obtained loan
4 proceeds for four of the applications totaling approximately \$596,931³:

5

6 Business Name	Lending Bank	Loan Amount Applied For	Amount Disbursed	Approximate Date of Loan Application
7 Desert Sun Events	Bank 1	\$19,715	\$19,715	April 22, 2020
8 Desert Sun Events	Bank 2	\$19,716	\$19,716	May 5, 2020
9 Tahoe Weddings and Events	Bank 3	\$20,000	\$20,000	May 6, 2020
10 Heavenly Tahoe Properties	Bank 3	\$500,000	\$0	May 15, 2020
11 Heavenly Tahoe Properties	Bank 2	\$537,500	\$537,500	May 19, 2020
12 Tahoe Weddings and Events	Bank 2	N/A	\$0	June 30, 2020

13 **Bank 1 Account 6121**

14 16. As described in more detail below, the FBI’s investigation has revealed that
15 KAREN CHAPON directed that the proceeds of three of her entities’ four PPP loans be
16 deposited into a Bank 1 account (Bank 1 6121) in the name of Desert Sun Events. This
17 included the proceeds from the two Desert Sun Events loans, as well as the Heavenly Tahoe
18 Properties Bank 2 loan, totaling approximately \$576,931. The FBI obtained records from
19 Bank 1 for this account, including account opening documentation and monthly account
20 statements. According to these records, KAREN CHAPON opened Bank 1 6121 on behalf
21 of Desert Sun Events on or about August 14, 2019. In the account opening documentation,
22 she listed herself as the “President” of Desert Sun Events and did not list any other officers
23 or employees. KAREN CHAPON is the only authorized signatory on the account. On

24 ³ As described above in note 2 and below in paragraph 39, it appears that Bank 1 returned approximately \$19,808 of the \$20,000 Tahoe Weddings and Events’ Bank 3 loan proceeds to Bank 3.

1 July 13, 2020, the government obtained a civil forfeiture seizure warrant for this account
2 from the Hon. Brenda N. Weksler, United States Magistrate Judge, in this District.
3 Pursuant to the warrant, the government seized the approximately \$504,385.19 that
4 remained in the account as of that date.

5 **PPP Loan Applications for Heavenly Tahoe Properties**

6 **Heavenly Tahoe Properties Bank 2 Loan Application**

7 17. Starting first with the PPP loan application for Heavenly Tahoe Properties to
8 Bank 2, the FBI obtained documentation from the bank for this loan. According to the
9 records provided by Bank 2, on or about May 19, 2020, KAREN CHAPON submitted an
10 application in support of a \$537,500 PPP loan for Heavenly Tahoe Properties. The records
11 indicate KAREN CHAPON made the application through an online portal, and Bank 2
12 issued the loan. On the application, KAREN CHAPON identified herself as Karen
13 “Hannafious,” and stated that “Hannafious” was the 100% owner of Heavenly Tahoe
14 Properties, listing her social security number (x2386).

15 18. I know KAREN CHAPON and Karen Hannafious are the same person for a
16 number of reasons. First, the social security number she listed for Karen Hannafious,
17 x2386, on the application matches the social security number x2386 listed in other PPP
18 applications and supporting documentation submitted in the name of “Chapon” described
19 below. This social security number is the same listed for “Karen Hannafious” in the IRS
20 records of her 2019 federal tax filing. Further, that tax filing listed the same home address
21 for Hannafious found on KAREN CHAPON’s California Driver License. Finally, Bank 2
22 and Bank 1 6121 records show that KAREN CHAPON directed that the proceeds of this
23 loan be deposited into Bank 1 6121. Since KAREN CHAPON is the sole signatory on that
24 account, that also confirms that “Chapon” and “Hannafious” are the same person.

1 19. Bank 1 6121 records indicate KAREN CHAPON was in the District of
2 Nevada when she electronically submitted this loan application. The Bank 1 6121 May
3 2020 account statement shows purchases were made in the District of Nevada on the date
4 the loan application was submitted as well as several days before and after.

5 20. In order to obtain the loan from Bank 2, KAREN CHAPON provided the
6 bank with a substantial amount of fraudulent information. First, in order to support the
7 requested loan amount of \$537,500, she represented Heavenly Tahoe Properties made over
8 \$2.4 million in employee payments in 2019.⁴ KAREN CHAPON provided this information
9 in a purported IRS Form 940 Federal Unemployment Tax Return (IRS Form 940) for 2019
10 for Heavenly Tahoe Properties that KAREN CHAPON submitted to the bank in support of
11 the application. The purported IRS Form 940 showed that she signed it on January 6, 2020.

12 21. A search of IRS records confirmed the IRS has no record of Heavenly Tahoe
13 Properties filing any tax returns for 2019, including the purported IRS Form 940. In fact,
14 IRS records show the Heavenly Tahoe Properties' EIN listed on the purported IRS Form
15 940 was only issued on or about May 11, 2020, more than four months after the date of
16 KAREN CHAPON's signature on the purported filing and just one week before KAREN
17 CHAPON applied for the PPP loan on behalf of the company. Further, a search of publicly
18 available corporation records in the State of Nevada showed Heavenly Tahoe Properties
19 was incorporated in Nevada in 2011 with KAREN CHAPON as the Director, but its
20 operating status is currently "revoked."

21 22. Additionally, at the time of KAREN CHAPON's PPP loan applications, an
22 applicant had to certify that the applicant, if an individual, or any owner of the applicant
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24 ⁴The maximum allowable PPP loan amount is calculated by taking the company's average monthly payroll and multiplying that figure by 2.5.

1 business had not been convicted of a felony or been placed on parole in the prior 5 years.
2 As part of the Heavenly Tahoe Properties PPP loan application, KAREN CHAPON falsely
3 answered “No” to this question, which read: “Within the last five (5) years, for any felony,
4 has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2)
5 pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been
6 placed on any form of parole or probation (including probation before judgment)?” The
7 application further warned that if that question was answered “Yes,” that “the loan will not
8 be approved.” As described above, KAREN CHAPON knew this answer was false.⁵ The
9 Nevada state records show KAREN CHAPON pled guilty to several felony fraud offenses
10 in 2016, was sentenced to several years of imprisonment in 2017, and remained on parole
11 until January 2020.

12 23. According to Bank 2’s records on or about May 19, 2020, it approved the PPP
13 loan for Heavenly Tahoe Properties and issued the loan. Records from Bank 1 show the
14 PPP loan proceeds of \$537,500 were received in Bank 1 6121 on or about May 20, 2020.

15 Heavenly Tahoe Properties Bank 3 Loan Application

16 24. The FBI obtained records from Bank 3 for an earlier Heavenly Tahoe
17 Properties PPP loan application that Bank 3 denied. The records obtained from Bank 3
18

19 ⁵ Since the time of KAREN CHAPON’s PPP loan application, the SBA has eased its
20 restrictions for applicants with criminal histories. For most felonies, the relevant look-back
21 period for PPP loan disqualification is now 1 year rather than 5 years. The relevant time
22 period remains 5 years, however, for felonies “involving fraud, bribery, embezzlement, or a
23 false statement in a loan application or an application for federal financial assistance.”
24 Business Loan Program Temporary Changes; Paycheck Protection Program—Additional
Revisions to First Interim Final Rule, 85 Fed. Reg. 36,718 (June 18, 2020). Accordingly,
even under the SBA’s revised guidance, KAREN CHAPON and the purported entities she
owned were not eligible for the PPP loans because she was convicted of two felony fraud
offenses within the 5-year time period.

1 show KAREN CHAPON submitted two applications for a \$500,000 PPP loan on behalf of
2 Heavenly Tahoe Properties on or about May 15, 2020 approximately seven (7) minutes
3 apart. She submitted one application in the name of “Karen Hannafious” and the second
4 application in the name of “Karen Chapon,” and used the same (x2386) social security
5 number for both.

6 25. KAREN CHAPON submitted two purported IRS filings to Bank 3 that
7 appear to be fraudulent. The first appears to be the same purported 2019 IRS Form 940 for
8 Heavenly Tahoe Properties that she submitted to Bank 2. As described above, a search of
9 IRS records confirmed the IRS has no record of Heavenly Tahoe Properties filing any tax
10 returns for 2019, including the purported IRS Form 940. Additionally, KAREN CHAPON
11 submitted her purported 2019 IRS Schedule C (Form 1040) Profit or Loss from Business
12 that showed Heavenly Tahoe Properties made over \$6 million in revenue in 2019 and over
13 \$900,000 in profit. A search of IRS records confirmed that the IRS does not have any
14 record of that filing. The IRS does have a record of KAREN CHAPON filing a 2019 IRS
15 Form 1040 income tax return, but it only listed income of approximately \$5,766 from a
16 rental property. That Form 1040 also did not include a Schedule C.

17 **PPP Loan Applications for Desert Sun Events**

18 **Desert Sun Events Bank 1 Loan Application**

19 26. As part of its investigation, the FBI obtained loan documentation for the
20 Desert Sun Events PPP loan from Bank 1 that show KAREN CHAPON applied for the
21 loan on behalf of Desert Sun Events using the name “Karen Chapon” on or about April 22,
22 2020. She listed herself as the authorized representative of the company and in the
23 supporting documentation provided the same San Diego, California, address listed on her
24 California Driver License.

1 27. The investigation shows that KAREN CHAPON submitted a purported IRS
2 filing in support of her application that appears to be fraudulent. The purported filing is a
3 2019 IRS Schedule C (Form 1040) Profit or Loss from Business made by KAREN
4 CHAPON that showed Desert Sun Events made approximately \$295,496 in revenue in
5 2019 and approximately \$94,638 in profit. As discussed above in paragraph 25, a search of
6 IRS records confirmed that the IRS does not have any record of that filing. The IRS does
7 have a record of KAREN CHAPON filing a 2019 IRS Form 1040 income tax return, but it
8 only listed income of approximately \$5,766 from a rental property, and did not include a
9 Schedule C. Further, according to publicly available records obtained from the State of
10 Wyoming, Desert Sun Events was only established as a Profit Corporation in Wyoming on
11 or about August 14, 2019 with KAREN CHAPON listed as the “Incorporator.” It was
12 administratively dissolved on or about November 20, 2019.

13 28. As part of an addendum to the Desert Sun Events Bank 1 application,
14 KAREN CHAPON also falsely answered “No” to the criminal history question, which
15 read: “Within the last 5 years, for any felony, has the Applicant (if an individual) or any
16 owner of the business; 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4)
17 been placed on pretrial diversion; or 5) been placed on any form of parole or probation
18 (including probation before judgment)?” As described above in paragraph 22, KAREN
19 CHAPON knew that this answer was false.

20 29. The Bank 1 records show KAREN CHAPON received her PPP loan
21 proceeds for Desert Sun Events on or about May 4, 2020, in Bank 1 6121. The May 2020
22 Account Statement for Bank 1 6121 showed on May 4, 2020, Bank 1 6121 received a
23 \$19,715 deposit with the Description: “CARES ACT PAYCHECK PROTECTION
24

1 PROGRAM DEPOSIT.” That amount matched the PPP loan amount for Desert Sun
2 Events in the records obtained from Bank 1.

3 Desert Sun Events Bank 2 Loan Application

4 30. The FBI obtained loan documentation for the Desert Sun Events PPP loan
5 from Bank 2. As described above, Bank 2 accepts loan applications directly, as well as
6 through online portals that allow borrowers to submit a single application to access loans
7 from a variety of different lenders.

8 31. The records show KAREN CHAPON also applied for this second loan on
9 behalf of Desert Sun Events using the name “Karen Chapon.” In the application, KAREN
10 CHAPON listed herself as the “100%” owner of Desert Sun Events and provided the same
11 San Diego, California, address from her California Driver License. KAREN CHAPON
12 applied for the loan through an online portal, and Bank 2 ultimately issued the loan.

13 32. The Bank 2 records show KAREN CHAPON signed this loan application on
14 May 5, 2020. Importantly, as part of the SBA PPP loan application process, each applicant
15 must certify that it has not and will not receive another PPP loan during the 2020 calendar
16 year. For example, KAREN CHAPON certified in this application that: “During the
17 period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant
18 has not and will not receive another loan under the Paycheck Protection Program.” Here,
19 the “Applicant” was Desert Sun Events. The evidence shows KAREN CHAPON knew
20 this certification to be false because as described above, on May 4, 2020, just the day before
21 KAREN CHAPON signed this application Desert Sun Events received its disbursement of
22 \$19,715 from the Bank 1 PPP loan to Bank 1 6121.

23 33. Additionally, Bank 2 records show that KAREN CHAPON submitted her
24 same purported 2019 IRS Schedule C (Form 1040) Profit or Loss from Business that she

1 submitted to Bank 1. As discussed above, this filing showed Desert Sun Events made
2 approximately \$295,496 in revenue in 2019 and appears to be fraudulent.

3 34. Finally, as part of the application, KAREN CHAPON again answered “No”
4 to the question: “Within the last 5 years, for any felony, has the Applicant (if an individual)
5 or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo
6 contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or
7 probation (including probation before judgment)?” The application again further warned
8 that if that question was answered “Yes,” that “the loan will not be approved.” As
9 described above, the evidence shows KAREN CHAPON knew that this answer was false.

10 35. The documentation from Bank 2 showed the bank approved the loan and
11 disbursed the funds to Bank 1 6121. The Bank 1 6121 May 2020 account statement
12 similarly shows Bank 1 6121 received a deposit of \$19,716 on May 7, 2020, corresponding
13 with this loan.

14 **PPP Loan Applications for Tahoe Weddings and Events**

15 **Tahoe Weddings and Events Bank 3 Loan Application**

16 36. The FBI obtained records for a PPP loan for Tahoe Weddings and Events
17 from Bank 3. The records show KAREN CHAPON applied for this loan on behalf of
18 Tahoe Weddings and Events using the name “Karen Hannafious” on or about May 5, 2020.
19 In the application, KAREN CHAPON listed herself as the “100%” owner of Tahoe
20 Weddings and Events and provided the same San Diego, California, address from her
21 California Driver License.

22 37. In support of her application, KAREN CHAPON again submitted a
23 purported IRS filing that appears to be fraudulent. The purported filing is her 2019 IRS
24 Schedule C (Form 1040) Profit or Loss from Business that showed Tahoe Weddings and

1 Events made approximately \$594,741 in revenue in 2019 and approximately \$165,967 in
2 profit. A search of IRS records confirmed that the IRS does not have any record of that
3 filing. As stated above in paragraph 25, the IRS does have a record of KAREN CHAPON
4 filing a 2019 IRS Form 1040 income tax return, but it only listed income of approximately
5 \$5,766 from a rental property, and did not include a Schedule C. Further, a search of
6 publicly available corporation records in the State of Nevada showed Tahoe Weddings and
7 Events was incorporated in Nevada in 2014 with KAREN CHAPON as the President, but
8 its operating status is currently “revoked.”

9 38. Finally, as part of the Tahoe Weddings and Events PPP loan application,
10 KAREN CHAPON again answered “No” to the criminal history question, which read:
11 “Within the last five (5) years, for any felony, has the Applicant (if an individual) or any
12 owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4)
13 been placed on pretrial diversion; or 5) been placed on any form of parole or probation
14 (including probation before judgment)?” The application further warned that if that
15 question was answered “Yes,” that “the loan will not be approved.” As described above in
16 paragraph 22, KAREN CHAPON knew this answer was false.

17 39. Bank 3 issued the loan in the amount of \$20,000 on or about May 13, 2020.
18 As part of its investigation, the FBI obtained records from Bank 1 for an account in the
19 name of Tahoe Weddings and Events (Bank 1 9449). The account opening documentation
20 showed that KAREN CHAPON opened the account just the day before on May 12, 2020
21 and is the sole signatory on the account. The Bank 1 9449 May 2020 account statement
22 shows that after receiving the loan proceeds, KAREN CHAPON made several purchases
23 before Bank 1 closed the account on or about May 28, 2020 with a \$19,808.48 closing
24

1 balance. As part of the FBI's investigation, it spoke with an employee of Bank 3 who
2 confirmed that Bank 1 later returned \$19,808.48 to Bank 3.

3 Tahoe Weddings and Events Bank 2 Loan Application

4 40. Finally, the FBI obtained records from online portal BV for an additional
5 Tahoe Weddings and Events PPP loan application submitted by KAREN CHAPON, which
6 was denied. The records obtained from online portal BV show KAREN CHAPON
7 submitted an application through BV to Bank 2 on or about June 30, 2020 for a PPP loan on
8 behalf of Tahoe Weddings and Events. She submitted the application in the name of
9 "Karen Hannafious," and used the same (x2386) social security number she used on other
10 filings described in this affidavit. The BV records obtained by the FBI do not show the
11 specific amount of the PPP loan that KAREN CHAPON requested, but she represented
12 that Tahoe Weddings and Events' average monthly payroll was approximately \$90,000.
13 Using the formula on the standard PPP loan application,⁶ that monthly payroll figure would
14 entitle Tahoe Weddings and Events to apply for a maximum loan amount of \$225,000.

15 41. In support of the application, KAREN CHAPON again submitted a
16 purported IRS filing that appears to be fraudulent. The purported filing was an IRS Form
17 940 Federal Unemployment Tax Return (IRS Form 940) for 2019 that showed Tahoe
18 Weddings and Events made slightly more than \$1 million in employee payments in 2019.
19 Importantly, the information in this filing appears to contradict the information in the
20 purported IRS filing that KAREN CHAPON submitted in support of Tahoe Weddings and
21 Events' application to Bank 3 described above. That filing listed the total expenses for the
22 company in 2019 as approximately \$427,274—significantly less than the more than \$1
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⁶ This formula is: (Average Monthly Payroll x 2.5).

1 million in employee payments listed on the purported 2019 IRS Form 940 submitted in
2 support of this application to Bank 2. Additionally, a search of IRS records confirmed that
3 the IRS does not have any record of Tahoe Weddings and Events making any tax filings for
4 2019.

5 Use of PPP Loan Proceeds

6 42. As stated above, KAREN CHAPON directed that the proceeds of three of the
7 loans be deposited into Bank 1 6121 in the name of Desert Sun Events, which she
8 controlled. KAREN CHAPON is the only authorized signatory on the account.


9 43. The Bank 1 6121 May 2020 account statement obtained from Bank 1 showed
10 that as of May 1, 2020, it had a balance of \$462.77. Over the course of the month, Bank 1
11 6121 received the \$576,931 in total PPP loan proceeds with the third and final PPP loan
12 deposit of \$537,500 occurring on May 20, 2020. These were the only deposits into Bank 1
13 6121 that month. During May, approximately \$10,133 was withdrawn or spent from the
14 account. Accordingly, all of these withdrawals except the first \$462.77 necessarily came
15 from the PPP loan proceeds pursuant to the Lowest Intermediate Balance Rule (LIBR)
16 accounting method.

17 44. The Bank 1 6121 June 2020 account statement from Bank 1 showed no
18 additional funds were deposited. Over the course of the month, approximately \$61,618 was
19 withdrawn or spent from the account. These withdrawals also necessarily came from the
20 PPP loan proceeds pursuant to LIBR. As described above, PPP loan proceeds must be used
21 by the business on certain permissible expenses—payroll costs, interest on mortgages, rent,
22 and utilities. To obtain each of the three PPP loans deposited in Bank 1 6121, KAREN
23 CHAPON certified that the proceeds would only be used for permissible expenses. She
24 stated specifically in two of those certifications that “[t]he funds will be used to retain

1 workers and maintain payroll or make mortgage interest payments, lease payments, and
2 utility payments.”

3 45. An initial review of the transaction descriptions in Bank 1 6121 for May and
4 June 2020 indicates a number of suspicious withdrawals and purchases that are not
5 consistent with those permissible expenses, including outgoing withdrawals of
6 approximately \$49,987 on June 5, 2020; \$1,000 on June 18, 2020; and \$4,000 on June 23,
7 2020. There also appeared to be purchases of approximately \$581 on May 13, 2020 at a
8 Jaguar/Land Rover dealership; \$180 at a hair salon on June 1, 2020; and \$900 at a medical
9 spa on June 3, 2020. As of July 13, 2020, the date that the government seized the account,
10 \$504,385.19 remained in Bank 1 6121.

11 46. Based on the foregoing facts, I believe there is probable cause to believe that,
12 KAREN CHAPON, also known as “Karen Hannafious,” has violated 18 U.S.C. § 1344(2),
13 Bank Fraud, and 18 U.S.C. § 1014, False Statements to a Financial Institution.

14
15 
16 Tom Lydiksen, Special Agent
Federal Bureau of Investigation (FBI)

17 Attested to by the applicant in accordance with the requirements of Fed. R. Crim. P. 4.1 by
18 telephone on this 10th day of August, 2020.

19 
20 HONORABLE BRENDA NEWKIRK SLEER
21 UNITED STATES MAGISTRATE JUDGE
22 
23
24