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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:  
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**COUNT ONE**  
*Bank Fraud*  
**(18 U.S.C. § 1344(2))**

From at least in or around April 2020 through at least in or around July 2020, in the District of Nevada, and elsewhere, defendant

**KAREN CHAPON,**  
**aka “Karen Hannafious,”**

did knowingly and intentionally execute and attempt to execute a scheme and artifice to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody or control of, a financial institution, to wit, Bank 2, by means of false and fraudulent pretenses, representations, and promises.

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

On or around May 19, 2020 in the District of Nevada, and elsewhere, defendant

**KAREN CHAPON,**  
**aka “Karen Hannafious,”**

knowingly made a false statement with the intent to influence the actions of a financial institution, the accounts of which are insured by the Federal Deposit Insurance Corporation (“FDIC”), to wit, Bank 2.

**PROBABLE CAUSE**

Complainant, Tom Lydixsen, states the following as and for probable cause:

1. I am a Special Agent (SA) of the Federal Bureau of Investigation (FBI) currently assigned to the white-collar crime squad in the Las Vegas Field Division. I have been employed as a SA of the FBI since March 2019. To become an FBI SA, I attended twenty (20) weeks of training at the FBI Academy in Quantico, Virginia where I was trained

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.”<sup>1</sup> 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.<sup>2</sup>

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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22 <sup>1</sup> Karen Chapon also uses the name Karen Hannafious. “Hannafious” is likely Chapon’s  
maiden name, subject to confirmation.

23 <sup>2</sup> 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 schedules she provided to the banks that she claimed were from her individual return.  
2 Further, publicly available state incorporation records show that while each of the three  
3 entities was legitimately incorporated at one time, none of those corporate registrations are  
4 currently valid.

5 5. Second, as part of the PPP loan applications, KAREN CHAPON had to  
6 certify that she had not been convicted of a felony or been placed on parole in the last five  
7 (5) years. These certifications were false. KAREN CHAPON pled guilty to several felony  
8 fraud offenses in Nevada state court in 2016 and remained on parole until January 2020.  
9 Finally, the PPP loan applications contained other false statements, including KAREN  
10 CHAPON’s certifications that her entities would only use PPP loan proceeds to “retain  
11 workers and maintain payroll” or to make other payments “as specified under the Paycheck  
12 Protection Program Rule,” and her certification that Desert Sun Events only received one  
13 PPP loan— when it received two.

14 **The Paycheck Protection Program**

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

22 7. In order to obtain a PPP loan, a qualifying business must submit a PPP loan  
23 application, which is signed by an authorized representative of the business. The PPP loan  
24 application requires the business (through its authorized representative) to acknowledge the

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 11. According to records obtained from Douglas County District Court in  
2 Nevada and the State of Nevada Division of Parole and Probation, KAREN CHAPON  
3 pled guilty to three felony counts in Nevada state court in August 2016: one count each of  
4 insurance fraud, mortgage lending fraud, and theft. In January 2017, the court sentenced  
5 KAREN CHAPON to concurrent terms of imprisonment on each of the three counts with  
6 the longest sentence imposed on the theft count: a minimum of twenty-four (24) months and  
7 a maximum of seventy-two (72) months imprisonment. KAREN CHAPON was placed on  
8 parole in April 2019 and was honorably discharged from parole in January 2020.

9 **The Lending Banks**

10 12. Bank 1 is a federally insured financial institution. It is an SBA approved  
11 lender and participates as a PPP lender to small businesses.

12 13. Bank 2 is a federally insured financial institution. It is an SBA approved  
13 lender, participates as a PPP lender to small businesses, and accepts loan applications  
14 directly, as well as through online portals that allow borrowers to submit a single application  
15 to access loans from a variety of different lenders.

16 14. Bank 3 is a federally insured financial institution. It is an SBA approved  
17 lender, participates as a PPP lender to small businesses, and accepts loan applications  
18 directly, as well as through online portals that allow borrowers to submit a single application  
19 to access loans from a variety of different lenders.

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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 \$596,931<sup>3</sup>:

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<b>Business Name</b>	<b>Lending Bank</b>	<b>Loan Amount Applied For</b>	<b>Amount Disbursed</b>	<b>Approximate Date of Loan Application</b>
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
Heavenly Tahoe Properties	Bank 2	\$537,500	\$537,500	May 19, 2020
Tahoe Weddings and Events	Bank 2	N/A	\$0	June 30, 2020

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11 **Bank 1 Account 6121**

12 16. As described in more detail below, the FBI’s investigation has revealed that  
13 KAREN CHAPON directed that the proceeds of three of her entities’ four PPP loans be  
14 deposited into a Bank 1 account (Bank 1 6121) in the name of Desert Sun Events. This  
15 included the proceeds from the two Desert Sun Events loans, as well as the Heavenly Tahoe  
16 Properties Bank 2 loan, totaling approximately \$576,931. The FBI obtained records from  
17 Bank 1 for this account, including account opening documentation and monthly account  
18 statements. According to these records, KAREN CHAPON opened Bank 1 6121 on behalf  
19 of Desert Sun Events on or about August 14, 2019. In the account opening documentation,  
20 she listed herself as the “President” of Desert Sun Events and did not list any other officers  
21 or employees. KAREN CHAPON is the only authorized signatory on the account. On  
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23 \_\_\_\_\_  
24 <sup>3</sup> 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.<sup>4</sup> 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 <sup>4</sup>The 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.<sup>5</sup> 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  
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19 <sup>5</sup> 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  
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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  
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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,<sup>6</sup> 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  
23

24 \_\_\_\_\_  
<sup>6</sup> 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 SEER  
21 UNITED STATES MAGISTRATE JUDGE  
22   
23  
24