

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

UNITED STATES OF AMERICA :
 :
v. :
 :
DAVID CHRISTOPHER REDFERN :

1:20CR 340-1



The Grand Jury charges:

General Allegations

At all times material to this Indictment:

The Defendant and Related Entity

1. The defendant, DAVID CHRISTOPHER REDFERN, was a resident of Trinity, North Carolina, in the Middle District of North Carolina.
2. REDFERN was the registered agent and owner of Wilder Effects LLC (“Wilder Effects”), a company that was registered with the North Carolina Secretary of State on or about January 17, 2020. The registered business address for Wilder Effects was REDFERN’s residential address.

The Small Business Administration and the CARES Act

3. 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. The mission of the SBA was to maintain and strengthen the nation’s economy by enabling the

to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters.

4. As part of this effort, the SBA enabled and provided for loans through banks, credit unions, and other lenders that had government-backed guarantees. The SBA also provided direct loans.

5. In or around March 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted to provide emergency financial assistance to the millions of Americans suffering adverse economic effects caused by the COVID-19 pandemic. The CARES Act established several new temporary programs and provided for expansion of others, including programs created and/or administered by the SBA.

The Paycheck Protection Program

6. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through a program referred to as the Paycheck Protection Program ("PPP"). In or around April 2020, Congress authorized over \$300 billion in additional PPP funding.

7. In order to obtain a PPP loan, a qualifying business was required to submit a PPP loan application, which was signed by an authorized

representative of the business. The PPP loan application required the business (through its authorized representative) to acknowledge the program rules and make certain affirmative certifications in order to be eligible to obtain the PPP loan. In the PPP loan application, the small business (through its authorized representative) was required to state, among other things, its: (i) average monthly payroll expenses; and (ii) number of employees. These figures were used to calculate the amount of money the small business was eligible to receive under the PPP. In addition, businesses applying for a PPP loan were required to provide documentation showing their payroll expenses.

8. A PPP loan application was required to be processed by a participating financial institution (“lender”). If a PPP loan application was approved, the lender funded the PPP loan using its own moneys, which were 100% guaranteed by the SBA. Data from the application, including information about the borrower, the total amount of the loan, and the listed number of employees, was transmitted by the lender to the SBA in the course of processing the loan.

9. PPP loan proceeds were required to be used by the business on certain permissible expenses: payroll costs, interest on mortgages, rent, and utilities. The PPP allowed the interest and principal on the PPP loan to be entirely forgiven if the business spent the loan proceeds on these expense items

within a designated period of time after receiving the proceeds and used a certain amount of the PPP loan proceeds on payroll expenses.

The Economic Injury Disaster Loan Program

10. The Economic Injury Disaster Loan (“EIDL”) program was an SBA program that provided low-interest financing to small businesses, renters, and homeowners in regions affected by declared disasters.

11. The CARES Act authorized the SBA to provide EIDLs to eligible small businesses experiencing substantial financial disruptions 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. The amount of the advance was determined by the number of employees the applicant certified having. The advances did not have to be repaid.

12. In order to obtain an EIDL and 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 revenue 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 was that preceding January 31, 2020. The applicant was also required to certify that all of the information in the application was true and correct to the best of the applicant’s knowledge.

13. EIDL applications were submitted directly to the SBA and processed by the agency with support from a government contractor, Rapid Finance. The amount of the loan, if the application was approved, was determined based, in part, on the information provided in the application concerning the number of employees, gross revenue, and cost of goods, as described above. Any funds issued under an EIDL or advance were issued directly by the SBA. EIDL funds were permitted to 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 PPP, the EIDL funds were not permitted to be used for the same purpose as the PPP funds.

Relevant Financial Institutions and Related Entities

14. Financial Institution 1 was a federally insured financial institution based in Utah. Financial Institution 1 was an SBA Preferred Lender and participated as a PPP lender to small businesses.

15. FinTech 1 was a financial technology company based in California. FinTech 1 participated in the SBA's PPP by, among other things, acting as a service provider between small businesses and certain lenders, including Financial Institution 1. Small businesses seeking PPP loans could apply through FinTech 1 for PPP loans. FinTech 1 would review the loan

applications. If a loan application received by FinTech 1 was approved for funding, a partner lender, such as Financial Institution 1, disbursed the loan funds to the applicant.

16. Financial Institution 2 was a federally insured financial institution based in California with branches throughout the United States. Neither REDFERN nor Wilder Effects maintained an account at Financial Institution 2.

17. Financial Institution 3 was a federally insured financial institution based in North Carolina with branches throughout the United States. On or about January 23, 2020, REDFERN opened a business account in Wilder Effects' name at Financial Institution 3 ("Wilder Effects account").

18. Financial Institution 4 was a federally insured financial institution based in Texas with branches throughout the United States. On or about June 2, 2020, REDFERN opened a business account in Wilder Effects' name at Financial Institution 4. REDFERN had previously opened two individual accounts at Financial Institution 4.

The Scheme to Defraud

19. From in or around April 2020, continuing up to and including at least in or around June 2020, REDFERN devised a scheme to defraud by submitting and causing to be submitted false and fraudulent loan applications

(i) to the SBA in order to obtain funds through the EIDL program and (ii) to Financial Institution 1 and FinTech 1 in order to obtain funds through the PPP.

Purpose of the Scheme to Defraud

20. It was the purpose of the scheme for REDFERN to unjustly enrich himself and others by obtaining EIDL and PPP loan proceeds under false and misleading pretenses, including by making false statements about the number of Wilder Effects employees and the intended use of the loan proceeds and by providing false documentation.

Manner and Means

EIDL Applications Submitted to the SBA

21. On or about April 12, 2020, REDFERN applied electronically for an EIDL from the SBA (“EIDL Application -4729”). In connection with EIDL Application -4729, REDFERN falsely affirmed, among other information, that Wilder Effects had two employees, had suffered \$3,000 in rental losses due to the disaster, and in the twelve months prior to the disaster had \$21,000 in gross revenues and \$13,000 in cost of goods sold. On or about June 16, 2020, EIDL Application -4729 was approved for an EIDL (“EIDL Loan -7904”) in the amount of \$2,000.

22. On or about May 17, 2020, REDFERN applied electronically for an EIDL from the SBA (“EIDL Application -4452”). In connection with EIDL Application -4452, REDFERN falsely affirmed, among other information, that Wilder Effects had nine employees, and in the twelve months prior to the disaster, had \$30,000 in gross revenues and \$27,500 in cost of goods sold. EIDL Application -4452 was not approved.

PPP Loan Application Submitted to Financial Institution 1

23. On or about June 1, 2020, REDFERN caused an electronic PPP application in the name of Wilder Effects to be sent to FinTech 1. The Wilder Effects PPP application requested \$410,322 to support Wilder Effects’ purported payroll. In the Wilder Effects PPP application, REDFERN falsely affirmed or caused to be falsely affirmed, among other information, that: (i) he was the sole owner of Wilder Effects; and (ii) Wilder Effects had twenty employees and an average monthly payroll of \$164,129.

24. The Wilder Effects PPP application appended as supporting documentation: (i) a false and fraudulent purported IRS Form 941 (Employer’s Quarterly Federal Tax Return) for the first quarter of 2020 showing \$492,389.01 paid in wages to twenty employees; and (ii) a false and fraudulent Financial Institution 2 bank statement for Wilder Effects dated February 27, 2020, showing a balance of \$290,028.70.

25. Individual 1 prepared the false and fraudulent supporting documentation for the Wilder Effects PPP application.

EIDL and PPP Loan Proceeds

26. On or about May 5, 2020, an EIDL advance totaling approximately \$2,000 was deposited in the Wilder Effects account at Financial Institution 3.

- a. On or about May 6, 2020, three separate cash withdrawals totaling \$1,400 were made from the Wilder Effects account.
- b. On or about May 10, 2020, an additional \$560 in cash was withdrawn from the Wilder Effects account.

27. On or about June 2, 2020, \$410,322 in PPP funds were deposited into the Wilder Effects account.

- a. On or about June 2, 2020, an attempt was made to wire \$102,580 from the Wilder Effects account to an account in Florida controlled by Individual 1.
- b. On or about June 3, 2020, an \$8,000 counter check written to “cash” was withdrawn from the Wilder Effects account.

28. On or about June 18, 2020, \$2,000 in EIDL funds in connection with EIDL Loan -7904 were deposited into the business account in Wilder Effects’ name at Financial Institution 4.

- a. On or about June 18, 2020, \$800 was transferred from the business account to an individual account in REDFERN's name at Financial Institution 4.
- b. On or about June 21, 2020, an additional \$500 was transferred from the business account to an individual account in REDFERN's name at Financial Institution 4.

**COUNTS ONE, TWO, AND THREE
(Wire Fraud)**

29. Paragraphs 1 through 28 of the Indictment are incorporated by reference as if fully set forth herein.

30. On or about the dates specified as to each count below, in the Middle District of North Carolina, and elsewhere, DAVID CHRISTOPHER REDFERN, having 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, did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, as set forth below:

Count	Approximate Date	Description
1	May 5, 2020	Wire transfer of \$2,000 that the SBA, in Colorado, caused to be routed in interstate commerce to the Wilder Effects account at Financial Institution 3 in North Carolina.
2	June 2, 2020	Wire transfer of \$410,322 that Financial Institution 1, in Utah, caused to be routed in interstate commerce to the Wilder Effects account at Financial Institution 3 in North Carolina.
3	June 18, 2020	Wire transfer of \$2,000 that the SBA, in Colorado, caused to be routed in interstate commerce to the Wilder Effects account at Financial Institution 4 in North Carolina.

All in violation of Title 18, United States Code, Sections 1343 and 2.

**COUNT FOUR
(Bank Fraud)**

31. Paragraphs 1 through 28 of the Indictment are incorporated by reference as if fully set forth herein.

32. From in or around April 2020, continuing up to and including in or around June 2020, the exact dates to the Grand Jurors unknown, in the Middle District of North Carolina, and elsewhere, DAVID CHRISTOPHER REDFERN knowingly executed and attempted to execute a scheme and artifice to obtain moneys, funds, credits, assets, securities, or other property owned by, or under

the custody or control of, a financial institution, by means of false and fraudulent pretenses, representations, and promises.

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

FORFEITURE ALLEGATION

33. The allegations contained in this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982(a)(2).

34. Upon conviction of one or more of the offenses set forth in Counts One, Two, Three, and Four of this Indictment, the defendant, DAVID CHRISTOPHER REDFERN, shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 982(a)(2), any property constituting, or derived from, proceeds the defendant obtained directly or indirectly, as the result of such violation. Such forfeitable property may include a money judgment in an amount equal to the amount of proceeds obtained as a result of the offenses.

35. If any of the property described above, as a result 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;

it is the intent of the United States of America, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of the defendant up to the value of the property described above as being subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982, and Rule
32.2(a), Federal Rules of Criminal Procedure.

DATED: August 31, 2020

MATTHEW G. T. MARTIN
United States Attorney


BY: MEREDITH C. RUGGLES
Assistant United States Attorney

ROBERT ZINK
Chief, Fraud Section
United States Department of Justice
Criminal Division


BY: JESSEE ALEXANDER-HOEPFNER ^{for} JAH
Trial Attorney, Fraud Section

A TRUE BILL:

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