

FILED 19 MAY '21 16:36 USDC ORP

UNDER SEAL

**UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION**

UNITED STATES OF AMERICA

3:21-cr- 167 SI

v.

INDICTMENT

ERIC WADE LYSNE,

**18 U.S.C. §§ 1343, 1344 and Forfeiture
Allegations**

Defendant.

THE GRAND JURY CHARGES:

INTRODUCTORY ALLEGATIONS

At all times relevant to this indictment:

1. **ERIC WADE LYSNE (“LYSNE”)**, defendant herein, was either in prison or under post-prison supervision for various felony convictions. Specifically, on January 9, 2017, he was convicted of Identity Theft and Unlawful Use of a Vehicle in Deschutes County Circuit Court Case Number 16CR76925 and sentenced to 30 months’ imprisonment followed by 24 months’ post-prison supervision; soon after his release from prison in that case, he was convicted on May 13, 2019, of Theft in the First Degree in Washington County Circuit Court Case Number 19CR26074 and sentenced to thirteen months’ imprisonment followed by one year’s post-prison supervision.

Indictment

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2. After his release from prison in the latter case, LYSNE briefly worked at a Portland restaurant, but he began drawing unemployment benefits in early 2020.

3. The Economic Injury Disaster Loan (“EIDL”) program is a Small Business Administration (SBA) program that provides low-interest financing to small businesses, renters, and homeowners affected by declared disasters.

4. On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. That statute, along with the Coronavirus Preparedness and Response Supplemental Appropriations Act, authorized the SBA to provide EIDLs of 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 within three days of applying for an EIDL. The amount of the advance is determined by the number of employees the applicant certifies having. The advances do not have to be repaid.

5. The CARES Act also created the Paycheck Protection Program (PPP), which authorized the SBA to guarantee loans of up to \$10,000,000 to qualifying employers without collateral or personal guarantees from the borrowers. The Act required lenders making loans under the PPP to defer all repayment obligations for not less than six months on such loans and required borrowers to certify, among other things, that the borrowed “funds [would] be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.”

6. In order to obtain an EIDL or a PPP loan, an applicant must provide information about the subject business’s operations, such as the date of opening, number of employees, and

past revenues. The applicant must also certify that he or she has not been convicted of a felony in the preceding five years and that all the information in the application is true and correct to the best of the applicant's knowledge.

7. Unlike PPP loan applications, which are submitted directly to participating lenders, EIDL applications are submitted electronically to the SBA through servers in Colorado.

COUNT 1
(Wire Fraud)
(18 U.S.C. § 1343)

8. The allegations in paragraphs 1 through 7 of this Indictment are incorporated as though realleged herein.

THE SCHEME

9. From not later than April 2020 and continuing through the date of this Indictment, defendant **LYSNE** devised and intended to devise a material scheme to defraud the SBA and various financial institutions and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises.

10. Specifically, **LYSNE** applied for and obtained EIDLs and PPP loans using false borrower information with the intent to steal and to convert the proceeds of those loans to his personal use and without any intent to repay those loans or to use the proceeds thereof for any authorized purpose.

MANNER AND MEANS

It was part of this scheme that:

11. **LYSNE** created fictitious or straw entities, including Paradigm Consulting Groups ("Paradigm"), on whose behalf he applied for and received EIDLs, EIDL advances, and PPP

loans. In order to give Paradigm the veneer of an operating employer and business, **LYSNE** applied for and received on Paradigm's behalf an Employer Identification Number ("EIN") ending in 6220 from the Internal Revenue Service on or about April 20, 2020. **LYSNE** also registered Paradigm with the Oregon Secretary of State as an assumed business name on or about May 29, 2020.

12. On or about May 16, 2020, **LYSNE** applied for an EIDL and a \$10,000 advance for Paradigm, which was purportedly doing business as "Paradigm Agriculture," by submitting application number 3304209987 to the SBA. The application indicated that Paradigm was started on February 15, 2018, that it employed 10 individuals in the agricultural sector, and that it realized gross revenues of \$998,725 for the year ending January 31, 2020. The application also denied that the applicant, **LYSNE**, had been the subject of felony criminal charges in the last five years. All of these representations were false.

13. On or about June 6, 2020, SBA disbursed an EIDL in the amount of \$147,400 to Paradigm through **LYSNE**'s personal account number ending with the digits 7632 at OnPoint Community Credit Union in Portland, Oregon. That deposit was followed by SBA's disbursement of a \$10,000 advance to the same account on June 25, 2020.

14. After receiving the proceeds of the EIDL and advance from SBA, **LYSNE** spent the proceeds thereof on personal expenses, including various travel bookings and extensive cash withdrawals.

15. On or about April 27, 2021, **LYSNE** applied to SBA for an increase in his EIDL balance, seeking to borrow an additional \$302,600. That application remains pending as of the date of this Indictment.

WIRE FRAUD

16. On or about May 16, 2020, in the District of Oregon and elsewhere, defendant **ERIC WADE LYSNE**, for the purpose of executing the scheme to defraud described above, caused to be transmitted by means of wire communication in interstate commerce EIDL application number 3304209987 from the State of Oregon to the State of Colorado.

All in violation of Title 18, United States Code, Section 1343.

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

17. Paragraphs 1 through 11 of this Indictment are incorporated as though realleged herein.

THE SCHEME

18. From not later than April 2020 and continuing through the date of this Indictment, defendant **LYSNE** devised and intended to devise a material scheme to to obtain funds under the custody or control of various financial institutions by means of materially false and fraudulent pretenses, representations, and promises.

19. Specifically, **LYSNE** applied for and obtained PPP loans by making materially false representations about himself and the entities on whose behalf he applied.

MANNER AND MEANS

It was part of the scheme that:

20. On or about May 22, 2020, defendant **LYSNE** submitted a PPP loan application (SBA Form 2483) on Paradigm's behalf for a loan of \$50,000 from Cache Valley Bank of Logan, Utah, whose deposits are insured by the Federal Deposit Insurance Corporation.

21. In that application, **LYSNE** indicated, as the sole owner of Paradigm, that he had not been convicted of any felony “[w]ithin the last five years.” He further represented that Paradigm employed two individuals, had an average monthly payroll of \$20,000, and had been in operation by February 15, 2020. All of these representations were false.

22. To substantiate the above-described false representations, **LYSNE** submitted to Cache Valley Bank a fraudulent IRS Form 940 (“Employer’s Annual Federal Unemployment (FUTA) Tax Return”) for 2019, which purported to have been executed on January 28, 2020, and falsely claimed that Paradigm had deposited \$20,000 in unemployment tax for 2019. No such return was ever filed with the IRS and no such deposits had ever been made.

23. Based in part on these fraudulent misrepresentations, Cache Valley Bank approved the above-described application in part and disbursed loan proceeds of \$27,700 to **LYSNE** on May 28, 2020.

BANK FRAUD

24. On or about May 22, 2020, in the District of Oregon and elsewhere, **ERIC WADE LYSNE**, defendant herein, did execute a scheme or artifice to obtain funds under the custody or control of Cache Valley Bank, a federally insured financial institution, by means of materially fraudulent pretenses and representations, in that defendant applied for and obtained a PPP loan of \$27,700 while knowingly and willfully misrepresenting the operation and payroll of Paradigm Consulting Groups and his own criminal history.

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

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FIRST FORFEITURE ALLEGATION

25. Upon conviction of the wire fraud offense alleged in Count 1 of this Indictment, defendant shall forfeit to the United States pursuant to 18 U.S.C. § 982(a)(1), any and all property, real or personal, involved in or derived from said offense and all property traceable to such property, including but not limited to a money judgment for a sum of money equal to the amount of property involved in or derived from that offense.

26. If the above-described forfeitable property, as a result of any act or omission of 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 of America shall be entitled to forfeiture of substitute property pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b).

SECOND FORFEITURE ALLEGATION

27. Upon conviction of the wire fraud offense alleged in Count 1 of this Indictment, defendant shall forfeit to the United States pursuant to 18 U.S.C. § 982(a)(1), any and all property, real or personal, involved in or derived from said offense and all property traceable to such property, including but not limited to a money judgment for a sum of money equal to the amount of property involved in or derived from that offense.

28. If the above-described forfeitable property, as a result of any act or omission of 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 of America shall be entitled to forfeiture of substitute property pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b).

Dated: May 18, 2021

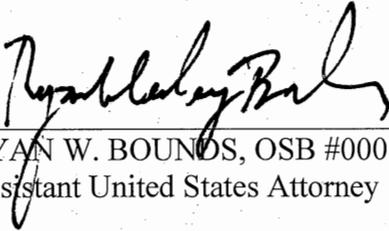
A TRUE BILL.



OFFICIATING FOREPERSON

Presented by:

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