

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF KENTUCKY
SOUTHERN DIVISION
LONDON

Eastern District of Kentucky
FILED
MAY 27 2021
AT LONDON
ROBERT R. CARR
CLERK U. S. DISTRICT COURT

UNITED STATES OF AMERICA

V.

INDICTMENT NO. 6:21-CR-034-CHB

KARENDA J. VAUGHN

* * * * *

THE GRAND JURY CHARGES:

Background

1. The United States Small Business Administration (SBA) is an executive-branch agency of the United States government that provides support to entrepreneurs and small businesses. The SBA is headquartered in Washington, DC and maintains its computer servers outside of the state of Kentucky. The mission of the SBA is 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.

2. As part of this effort, the SBA enables and provides for loans through banks, credit unions and other lenders. These loans have government-backed guarantees. In addition to traditional SBA funding programs, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was signed into law in March 2020, established several new temporary programs and provided for the expansion of others to address the COVID-19 outbreak. The CARES Act also authorized Economic Impact

Payments (“EIP”) for qualifying Americans who had filed a tax return in 2018 or 2019.

3. One of the new programs was the SBA Paycheck Protection Program (“PPP”), which was a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. Under this program, the SBA would forgive all or part of loans if all employees were kept on the payroll for eight weeks and borrowers submitted documentation confirming that the loan proceeds were used for payroll, rent, mortgage interest, or utilities. Interested applicants applied through an existing SBA lender or any other participating federally insured financial institution.

4. The PPP application process required applicants to submit a Borrower Application Form through an SBA-approved financial entity. The application contained information as to the purpose of the loan, average monthly payroll, number of employees and background of the business and its owner, including questions relating to criminal history. Applicants were also required to make good faith certifications, including that economic uncertainties have necessitated their loan requests for continued business operations and that they intended to use loan proceeds only for the authorized and not any duplicative purposes.

5. Another related response to the COVID-19 outbreak was an expansion of an existing disaster-related program - the Economic Injury Disaster Loan (“EIDL”) - to provide for loan assistance (including \$10,000 advances) for small businesses and other eligible entities for loans up to \$2 million. The EIDL proceeds could be used to pay fixed debts, payroll, accounts payable and other bills that could have been paid had the disaster not occurred; however, such loan proceeds were not intended to replace lost sales or

profits or for expansion of a business. Unlike certain other types of SBA-guaranteed loans, EIDL funds were issued directly from the United States Treasury and applicants applied through the SBA via an online portal and application. The EIDL application process, which also used certain outside contractors for system support, collected information concerning the business and the business owner, including:

- a. information as to the gross revenues for the business prior to January 31, 2020;
- b. the cost of goods sold;
- c. and information as to any criminal history of the business owner.

EIDL applicants electronically certified that the information provided was accurate and were warned that any false statement or misrepresentation to the SBA or any misapplication of loan proceeds may result in sanctions, including criminal penalties.

6. At all relevant times, **KARENDA J. VAUGHN** was a resident of the Eastern District of Kentucky.

COUNTS 1-10
18 U.S.C. § 1343

7. Paragraphs 1-6 are re-alleged and incorporated by reference as if set forth fully herein.

8. From on or about March 30, 2020, through on or about April 20, 2021, in the Eastern District of Kentucky, and elsewhere,

KARENDA J. VAUGHN

devised and intended to devise a scheme to defraud the United States, various financial institutions, and individuals, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises.

Purpose of the Scheme

9. The object of the scheme was to unjustly enrich herself by obtaining and attempting to obtain EIP, PPP and EIDL proceeds under false and misleading pretenses, including by making false statements about the various companies named in loan applications submitted to the SBA.

Manner and Means

10. It was part of the scheme that the defendant filed a tax return and requested an EIP payment for J.W., which she then retained and used for her personal use.

11. It was part of the scheme that the defendant created a fake business entity, Vaughn Outdoor, and submitted numerous fraudulent applications for EIDL proceeds, making numerous false statements about the business.

12. It was part of the scheme that the defendant used the stolen identity and personal identifying information of J.E. to create a fake business entity, Josh's Nature Cure. The defendant then sought and obtained fraudulent EIDL proceeds for Josh's Nature Cure.

13. It was part of the scheme that the defendant submitted a false PPP application, impersonated an attorney, and threatened a PPP lender with a lawsuit for not dispensing the funds.

14. On or about each of the dates set forth below, in the Eastern District of Kentucky, and elsewhere, the defendant,

KARENDA J. VAUGHN

for the purpose of executing the scheme described above, and attempting to do so, caused to be transmitted by means of wire communication in interstate commerce the signals and sounds described below for each count, each transmission constituting a separate count:

<u>Count</u>	<u>Date</u>	<u>Description</u>
1	April 30, 2020	Received interstate wire of \$1,200 EIP for J.W. into Chime bank account ending in *4250, which VAUGHN then transferred to her Chime bank account ending in *6566.
2	May 12, 2020	VAUGHN filed false EIDL application 3304952835 for Vaughn Outdoor, claiming to have three employees, gross revenue of \$47,000, and seeking a loan of \$11,000.
3	May 12, 2020	VAUGHN filed false EIDL application 3304953075 for Josh's Nature Cure, using stolen identity of J.E., claiming to have five employees, gross revenue of \$86,000, and seeking a loan of \$14,500.
4	May 13, 2020	VAUGHN filed false EIDL application 3305222431 for Vaughn Outdoor, claiming to have three employees, gross revenue of \$47,000, and seeking a loan of \$11,000.
5	June 18, 2020	VAUGHN received interstate wire of \$14,500 from SBA into Metabank account ending in *4430 for EIDL 3304953075 for Josh's Nature Cure.

6	June 20, 2020	VAUGHN filed false EIDL application 3305661995 for Vaughn Outdoor, claiming to have six employees, gross revenue of \$66,000, and seeking a loan of \$15,000.
7	June 21, 2020	VAUGHN filed false EIDL application 3305666525 for Vaughn Outdoor, claiming to have six employees, gross revenue of \$66,000, and seeking a loan of \$15,000.
8	June 26, 2020	VAUGHN received interstate wire of \$5,000 from SBA into Metabank account ending in *4430 for EIDL 3304953075 for Josh's Nature Cure.
9	March 23, 2021	VAUGHN submitted false PPP application 8582618601 seeking \$8,750.
10	April 20, 2021	VAUGHN sent interstate email to individuals at PPP lender Blue acorn, threatening a lawsuit regarding PPP application 8582618601 and impersonating an attorney.

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

COUNT 11
18 U.S.C. § 1028A(a)(1)

15. On or about May 12, 2020, in Corbin, Kentucky, in the Eastern District of Kentucky, and elsewhere,

KARENDA J. VAUGHN

did knowingly use, without lawful authority, a means of identification of another person, that is, the name and social security number of Victim J.E., during and in relation to a felony violation enumerated in 18 U.S.C. § 1028A, specifically, wire fraud as set forth

above in Count 3, knowing that the means of identification belonged to another actual person, all in violation of Title 18, United States Code, Section 1028A(a)(1).

FORFEITURE ALLEGATIONS

18 U.S.C. § 981(a)(1)(C)

28 U.S.C. § 2461

16. Upon conviction of the offense in violation of 18 U.S.C. § 1343, as set forth in Counts 1-10 of this Indictment, the defendant, **KARENDA J. VAUGHN** shall forfeit to the United States of America any property, real or personal, which constitutes or is derived from proceeds traceable to the offense pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

17. The property to be forfeited includes, but is not limited to, the following:

a. **MONEY JUDGMENT**: A sum representing the gross proceeds in aggregate obtained by the defendant, **KARENDA J. VAUGHN**, as a result of the wire fraud violation alleged in this Indictment.

18. 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,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States

Code, Section 2461(c).

A TRUE BILL



Handwritten signature of Carlton S. Shier, IV in cursive.

CARLTON S. SHIER, IV
ACTING UNITED STATES ATTORNEY

PENALTIES

COUNTS 1-10: Imprisonment for not more than 20 years, a fine of not more than \$250,000, and supervised release for not more than 3 years.

COUNT 11: If convicted of Count 2: Mandatory term of imprisonment for 2 years to run consecutively to any term of imprisonment imposed on Counts 1-10. Plus, not more than \$250,000 fine and 1 year supervised release.

PLUS: Mandatory special assessment of \$100 per count.

PLUS: Restitution, if applicable.