



THE UNITED STATES

Department of Justice

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Nevada Woman Charged with COVID-Relief Fraud

A Nevada woman was charged in a criminal complaint unsealed Wednesday with fraudulently seeking over \$1 million in Paycheck Protection Program (PPP) loans, announced Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division and U.S. Attorney Nicholas A. Trutanich of the U.S. Attorney's Office for the District of Nevada.

Karen Chapon, aka Karen Hannafious, 50, of Las Vegas, Nevada, was charged by criminal complaint in the District of Nevada with one count of bank fraud and one count of making false statements to a financial institution. The complaint alleges that, in support of her six fraudulent loan applications, Chapon made numerous false and misleading statements about her companies' respective business operations and payroll expenses, and falsely denied that she had been convicted of a felony in the past five years.

The complaint also alleges that, in further support of the fraudulent loan applications, Chapon submitted fake and altered documents, including fraudulent federal tax filings. For example, Chapon misrepresented to a lender that, in 2019, her company Heavenly Tahoe Properties paid several million dollars in employee wages. In support of Chapon's loan application, she submitted a fraudulent IRS filing that appeared to be Heavenly Tahoe Properties' 2019 Form 940 federal unemployment tax return showing that the company paid nearly \$2.5 million in employee wages that year. In reality, the IRS has no record of the company filing any 2019 tax returns, and publicly available records show that the company's Nevada corporate registration is no longer valid.

The government has executed seizure warrants recovering the majority of the nearly \$600,000 in PPP loan proceeds that Chapon obtained in her alleged fraud, including more than \$500,000 from the bank account of one of her companies and a Mercedes Benz SUV.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses.

A criminal complaint is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by the FBI, the U.S. Treasury Inspector General for Tax Administration, and the Small Business Administration's Office of Inspector General. Trial Attorney Blake Goebel of the Criminal Division's Fraud Section and Assistant U.S. Attorney Jessica Oliva of the District of Nevada are prosecuting the case.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Attachment(s):

[Download Chapon Complaint](#)

Topic(s):

Coronavirus
Disaster Fraud
Financial Fraud

Component(s):

[Criminal Division](#)
[Criminal - Criminal Fraud Section](#)
[USAO - Nevada](#)

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