

THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* CALIFORNIA

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Department of Justice

U.S. Attorney's Office

Southern District of California

FOR IMMEDIATE RELEASE

Wednesday, September 2, 2020

San Diego Woman Created Fake “Employees” to Swindle CARES Act Funds; Pleads Guilty to Federal Fraud Charges

NEWS RELEASE SUMMARY – September 1, 2020

SAN DIEGO – Nikole L. Edwards – the founder of Social Savvy Marketing – pleaded guilty today to making false statements to the Small Business Administration. In court, Edwards admitted to submitting fake tax records and payroll information in order to secure a loan under the Paycheck Protection Program (“PPP”).

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act authorized the Small Business Administration to guarantee hundreds of billions of dollars in forgivable loans to small businesses to pay employees through the PPP. In order to obtain a PPP loan, a qualifying business has to provide its average monthly payroll expenses and number of employees, along with supporting documentation. These figures are used to calculate the amount of money the small business is eligible to receive under the PPP. A business’s PPP loan application is received and processed, in the first instance, by a participating financial institution, then transmitted to the Small Business Administration to assess the applicant’s eligibility.

In April and May 2020, Edwards applied for tens of thousands of dollars of PPP loans with three financial institutions. In her applications, Edwards falsely claimed that Social Savvy Marketing employed two individuals who earned annual salaries of \$75,000 and \$50,000. In reality, Social Savvy Marketing did not have any employees. Edwards also provided false addresses and Social Security numbers for her purported employees. To further support her false claims, Edwards submitted fake W-2s.

After a representative from one financial institution told Edwards that Social Savvy Marketing could not receive a PPP loan, Edwards lied and said: “This is a lifeline for my employees and my business and we won’t survive without it.” Despite not having any employees, Edwards ultimately succeeded in obtaining a \$19,583 PPP loan. As part of her plea agreement, Edwards is required to repay the entire \$19,583 loan.

“The PPP is designed to help struggling businesses meet legitimate payroll obligations, not to enrich sole proprietors engaging in outright fraud,” said U.S. Attorney Robert Brewer. “We are working diligently with our law enforcement partners to investigate and prosecute those who abuse this critical lifeline for the nation’s businesses, workers and economy.”

“The Paycheck Protection Program was designed to provide dire relief to business owners and employees suffering during the pandemic,” said Suzanne Turner, Special Agent in Charge of the FBI San Diego Field

Office. “The FBI will not tolerate anyone who steals government funds intended to assist Americans who are struggling financially and is committed to tackling COVID-related fraud head on with our law enforcement partners.”

Edwards is scheduled to appear for sentencing before U.S. District Judge Gonzalo Curiel at November 18, 2020 at 8:30 a.m.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. 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 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. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be entirely forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses a certain amount of the PPP loan proceeds on payroll expenses.

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>.

DEFENDANT:

Case Number 20-CR-2637-GPC

Nikole L. Edwards

Age: 40

San Diego, California

SUMMARY OF CHARGES

False Statements to the Small Business Administration – Title 15, U.S.C., Section 645

Maximum penalty: 2 years’ imprisonment and \$5,000 fine

AGENCY

Federal Bureau of Investigation

Small Business Administration, Office of Inspector General

Topic(s):

False Claims Act

Component(s):

USAO - California, Southern

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