

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Holding a Criminal Term

Grand Jury Sworn in on January 28, 2021

UNITED STATES OF AMERICA	:	CRIMINAL NO. 21-cr-
	:	20-mj-154
v.	:	
	:	
KENNETH PATRICK GAUGHAN	:	VIOLATIONS:
<i>also known as Richard Strauski,</i>	:	
	:	18 U.S.C. § 1343 (Wire Fraud);
Defendant.	:	18 U.S.C. § 1344 (Bank Fraud);
	:	18 U.S.C. § 1028A (Aggravated Identity
	:	Theft);
	:	18 U.S.C. § 641 (Theft of Government
	:	Property);
	:	18 U.S.C. § 1956(a)(1)(B)(i)
	:	(Laundering of Monetary Instruments)
	:	18 U.S.C. § 1957 (Monetary
	:	Transaction of Criminally Derived
	:	Property);
	:	18 U.S.C. §§ 981(a)(1)(C), 982(a)(1),
	:	21 U.S.C. § 853(p), 28 U.S.C. § 2461(c)
	:	(Criminal Forfeiture).
	:	

INDICTMENT

The Grand Jury charges that:

Introduction

At all times relevant to this Indictment:

The Defendant and Relevant Entities

1. Defendant **KENNETH PATRICK GAUGHAN** (“GAUGHAN”), also known as Richard Strauski, was a resident of Washington, DC.

2. **GAUGHAN** controlled and/or registered the following entities that purported to provide services relating to service and emotional support animals: Therapeutic Solutions; Therapy Dog International; Service Animals of America; ESA Registry International; Certapet Inc; Therapy Dog Inc; Service Dog of America; Therapy Pet Inc; Official Service Dogs; Anything Pawsable Inc; International Service Animals; and US Therapy Dog (collectively, the “**GAUGHAN** Entities”).

3. **GAUGHAN** maintained a mailbox at a United Parcel Service (“UPS”) Store mailbox in Washington, DC (the “UPS mailbox”). In records obtained from the Department of Consumer and Regulatory Affairs in the District of Columbia, the UPS mailbox appears as the address of the registered directors for many of the **GAUGHAN** Entities. The named corporate officers for some of these entities included **GAUGHAN**; **GAUGHAN**’s significant other; **GAUGHAN**’s former roommate (“Person 1”); and **GAUGHAN**’s alias, “Richard Strauski.” In truth and in fact, the **GAUGHAN** Entities, to the extent they existed at all, were controlled by **GAUGHAN**.

4. **GAUGHAN** maintained and controlled a Bank of America, N.A., bank account ending in 6270 in the name of Therapeutic Solutions (the “Therapeutic BOA Account”) and a Bank of America, N.A., bank account ending in 9804 in the name of Therapy Dog International (the “Therapy Dog BOA Account”).

5. **GAUGHAN** was the listed owner of the Therapeutic BOA Account.

6. Person 1 was the listed owner of the Therapy Dog BOA Account, but Person 1 was unaware of the account established in Person 1’s name and did not own or control Therapeutic Solutions or Therapy Dog International.

7. Company A was a business engaged in the business of title insurance and settlements for real estate transactions, including escrow services.

8. Company B was a business engaged in the sale of marine vessels, including yachts.

The Paycheck Protection and Economic Injury Disaster Loan Programs

9. In or around March 2020, in response to the economic crisis caused by the novel coronavirus pandemic, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020) (“CARES Act”). Among other things, the CARES Act made billions of dollars of government-guaranteed loans available to qualified small businesses through the Paycheck Protection Program (“PPP”). The purpose of loans issued under the PPP was to enable small businesses suffering from the economic downturn to continue to pay salary or wages to their employees. The PPP was administered by the Small Business Administration (“SBA”), which promulgated regulations concerning eligibility for a PPP loan. Eligible businesses seeking a loan under the PPP could apply for such a loan electronically, by means of interstate wire communication, through a participating lender. Some of the lenders that participated in the PPP are federally insured depository institutions.

10. To qualify for a loan under the PPP, an applicant had to meet certain criteria, including, among other things, that it was “in operation on February 15, 2020 and either had employees for whom [it] paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.” Moreover, the amount of the loan that could be approved under the PPP and implementing regulations typically was a function of the applicant’s historical payroll costs, consisting of compensation to its employees.

11. The proceeds of a PPP loan could be used only for certain specified items, such as payroll costs, costs related to the continuation of group health care benefits, mortgage interest payments (but not mortgage prepayments or principal payments), rent payments, utility payments, interest payments on debt obligations that were incurred before February 15, 2020, or for refinancing certain specified SBA loans. The proceeds of a PPP loan were not permitted to be used to purchase personal residences or watercraft, make payments towards personal vehicles or student loans, or fund the borrower's ordinary day-to-day living expenses unrelated to the specific authorized expenses.

12. The Economic Injury Disaster Loan ("EIDL") program is a disaster relief program administered by the SBA that predates the COVID-19 pandemic. Small business owners and non-profit organizations in all U.S. states, the District of Columbia, and U.S. territories can apply for an EIDL. EIDLs are designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to a disaster. EIDL provides loan assistance, including up to \$10,000 advances, for eligible entities. The EIDL proceeds can 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 are not intended to replace lost sales or profits or for expansion of a business. Unlike certain other types of SBA-guaranteed loans, EIDL funds are issued directly from the United States Treasury and applicants apply through the SBA via an online portal and application.

13. The EIDL application process, which also uses certain outside contractors for system support, collects information concerning the business and the business owner, including information as to the gross revenues for the business prior to January 31, 2020; the cost of goods

sold; and information as to any criminal history of the business owner. Applicants electronically certify that the information provided is accurate and are warned that any false statement or misrepresentation to SBA or any misapplication of loan proceeds may result in sanctions, including criminal penalties.

Participating Lenders

14. Bank of America, N.A. (“Bank of America”), which was headquartered in Charlotte, North Carolina, was a bank with deposits that were insured by the Federal Deposit Insurance Corporation (“FDIC”), and was engaged in interstate commerce during the entirety of the investigation, and constituted a “financial institution” within the meaning of 18 U.S.C. § 20.

15. First Bank of the Lake, which was headquartered in Osage Beach, Missouri, was a bank with deposits that were insured by the FDIC, and was engaged in interstate commerce during the entirety of the investigation, and constituted a “financial institution” within the meaning of 18 U.S.C. § 20.

16. Radius Bank, which was headquartered in Boston, Massachusetts, was a bank with deposits that were insured by the FDIC, and was engaged in interstate commerce during the entirety of the investigation, and constituted a “financial institution” within the meaning of 18 U.S.C. § 20.

17. Northeast Bank, which was headquartered in Lewiston, Maine, was a bank with deposits that were insured by the FDIC, and was engaged in interstate commerce during the entirety of the investigation, and constituted a “financial institution” within the meaning of 18 U.S.C. § 20.

18. Celtic Bank Corporation (“Celtic Bank”), which was headquartered in Salt Lake City, Utah, was a bank with deposits that were insured by the FDIC, and was engaged in interstate commerce during the entirety of the investigation, and constituted a “financial institution” within the meaning of 18 U.S.C. § 20.

19. Fund-Ex Solutions Group, LLC (“Fund-Ex”) was a non-bank lender headquartered in Davie, Florida.

20. Kabbage, Inc. was a non-bank lender headquartered in Atlanta, Georgia.

21. Bank of America, First Bank of the Lake, Radius Bank, Northeast Bank, Celtic Bank, Fund-Ex, and Kabbage, Inc., were participating lenders under the PPP (the “participating lenders”).

COUNTS ONE AND TWO
(Wire Fraud)

22. Paragraphs 1 through 21 are realleged here.

The Scheme to Defraud

23. Beginning at least in or about March 2020, and continuing through in or about August 2020, in the District of Columbia and elsewhere, **GAUGHAN** knowingly devised, intended to devise, and participated in a scheme and artifice to obtain money and property by means of materially false or fraudulent pretenses, representations, or promises, transmitted by means of wire communication in interstate commerce, in connection with the application for and payment of funds from PPP lenders and the SBA to **GAUGHAN** by means of the **GAUGHAN** Entities (the “scheme to defraud”). **GAUGHAN**’s fraudulent scheme affected one or more financial institutions as defined in Title 18 U.S.C. § 20.

Goal of the Scheme to Defraud

24. It was a goal of the scheme to defraud that **GAUGHAN** would fraudulently obtain money or property, namely, PPP loan and EIDL proceeds, through the transmission of materially false documents and representations made via wire in interstate commerce, and to spend those proceeds on items that were not authorized under the Paycheck Protection or EIDL programs.

Manner and Means of Scheme to Defraud

It was part of the scheme to defraud that:

GAUGHAN Submitted Fraudulent PPP Applications

25. Beginning no later than April 2020 and continuing through at least July 2020, **GAUGHAN** electronically submitted, caused to be submitted, and attempted to submit, by interstate wire transmission, twelve PPP applications on behalf of the **GAUGHAN** Entities to the participating lenders.

26. **GAUGHAN** used the name, electronic signature, and identifying documentation of Person 1 to submit and cause to be submitted PPP applications for several of the **GAUGHAN** Entities, without Person 1's knowledge or permission.

27. In the PPP applications on behalf of the **GAUGHAN** entities, **GAUGHAN** made and caused to be made false and fictitious statements, including (a) falsely claiming that the **GAUGHAN** Entities had significant payroll expenses when, in truth and in fact, the entities had few, if any, employees and payroll expenses, and (b) falsely certifying that the loan proceeds would be "used only for business-related purposes" consistent with PPP rules.

28. In support of the PPP loan applications on behalf of the **GAUGHAN** Entities, **GAUGHAN** submitted and caused to be submitted falsified documentation, including (a) federal

tax forms that were not filed with the Internal Revenue Service and that showed that the relevant entity paid significant wages to employees, when, in fact, it paid no such wages; (b) fabricated payroll documentation making it appear that the relevant entity had paid wages to employees when, in fact, it had no such employees and had not paid such wages; and (c) altered bank records creating the false appearance that the entity paid legitimate business and payroll expenses.

29. In connection with ten PPP applications, **GAUGHAN** submitted and caused to be submitted false payroll documentation showing that the same employees worked for multiple of the **GAUGHAN** Entities when, in fact, the **GAUGHAN** Entities had no such employees.

30. **GAUGHAN** listed the UPS mailbox as the applicant's business address on PPP and EIDL loans submitted for the **GAUGHAN** Entities.

31. **GAUGHAN** caused the participating lenders, on the basis on the material false and fraudulent statements in the PPP applications and supporting documentation, to approve and fund PPP loans in the name of Therapy Dog International, Service Animals of America, Therapy Dog Inc, ESA Registry International, Therapeutic Solutions, Certapet Inc, and Official Service Dogs. **GAUGHAN** thereafter caused the PPP loan proceeds to be deposited into the Therapeutic BOA Account and the Therapy Dog BOA Account.

GAUGHAN Submitted Fraudulent EIDL Loan Applications

32. On or about March 30, 2020, **GAUGHAN** submitted and caused to be submitted at least twelve EIDL applications on behalf of the **GAUGHAN** Entities.

33. **GAUGHAN** caused the EIDL applications to contain information that contradicted information provided on the PPP application submitted for the same entity. **GAUGHAN** falsely claimed on EIDL applications for **GAUGHAN** Entities that each entity had three employees, while

the PPP loan applications claimed that these entities each had 25 employees. Further, GAUGHAN provided his own name and social security number as the business listed contact for each of the twelve EIDL applications, even though GAUGHAN submitted and caused to be submitted seven PPP applications for the same entities under the name of Person 1.

GAUGHAN Fraudulently Obtained Paycheck Protection and EIDL Program Proceeds

34. On the basis of his false and fraudulent PPP and EIDL applications, GAUGHAN attempted to obtain at least \$3,697,465, and ultimately received approximately \$2,182,465, including \$2,179,465 in PPP loan funds and a \$3,000 advance of EIDL funds.

35. GAUGHAN spent the PPP loan and EIDL proceeds for his personal benefit and on payments and purchases not permissible under the PPP, including the purchase of a yacht, payment of a car note, a cashier's check to purchase a personal residence, transfers to GAUGHAN's investment account, a payment to satisfy a civil judgment, and personal credit card and student loan payments.

The Charges

36. On or about the dates set forth below, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

for the purpose of executing and attempting to execute the scheme to defraud, transmitted and caused to be transmitted by means of wire communication in interstate commerce, the following writings, signs, signals, pictures, and sounds:

Count	Approximate Date	Description
1	April 19, 2020	Transmission, by interstate wire from the District of Columbia of a PPP loan application on behalf of ESA Registry International to First Bank of the Lake
2	April 21, 2020	Transmission, by interstate wire from the District of Columbia of a PPP loan application on behalf of Service Animals of America to Fund-Ex

**(Wire Fraud, in violation of Title 18,
United States Code, § 1343).**

COUNTS THREE THROUGH FIVE
(Bank Fraud)

37. Paragraphs 1 through 21 are realleged here.

The Scheme to Defraud

38. Beginning at least in or about March 2020, and continuing through in or about August 2020, in the District of Columbia and elsewhere, **GAUGHAN** devised and intended to devise a scheme and artifice to defraud financial institutions, that is, Bank of America, First Bank of the Lake, Radius Bank, Northeast Bank, and Celtic Bank, and to obtain money and property owned by, and under the custody and control of, financial institutions by means of false and fraudulent pretenses, representations, and promises.

39. Paragraphs 23 through 35 are realleged here, and contain the description of the above-mentioned scheme.

The Charges

40. On or about the dates set forth below, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

did knowingly and intentionally execute and attempt to execute the scheme to defraud the financial institutions, and to obtain money and property owned by, and under the custody and control of, such financial institutions, by the following acts:

Count	Approximate Date	Description
3	April 4, 2020	Submission of a PPP loan application on behalf of Therapeutic Solutions, using the purported electronic signature of Person 1, to Bank of America
4	April 15, 2020	Submission of a PPP loan application on behalf of Certapet Inc to Radius Bank
5	May 5, 2020	Submission of a PPP loan application on behalf of Official Service Dogs, using the purported electronic signature of Person 1, to Northeast Bank

**(Bank Fraud, in violation of Title 18,
United States Code, § 1344).**

COUNTS SIX AND SEVEN
(Aggravated Identity Theft)

41. Paragraphs 1 through 21, 23 through 35, and 38 through 40 are realleged here.
42. On or about the dates listed below, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

did knowingly transfer, possess, and use, without lawful authority, a means of identification of

another person during and in relation to a felony violation enumerated in 18 U.S.C. § 1028A(c), to wit, 18 U.S.C. § 1344, knowing that the means of identification belonged to another actual person, each such use being a separate count of this Indictment:

Count	Date	Means of Identification	Related Bank Fraud Count
6	April 4, 2020	Name and purported electronic signature of T.W.	3
7	May 5, 2020	Name and purported electronic signature of T.W.	5

**(Aggravated Identity Theft, in violation of Title 18,
United States Code, Section 1028A(a)(1)).**

COUNT EIGHT
(Theft of Government Property)

43. Paragraphs 1 through 21 and 23 through 35 are realleged here.

44. In or around April 2020, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

did willfully and knowingly steal, purloin, and convert to his use and the use of another, any money and thing of value of the United States and any department and agency thereof, with an aggregate value that exceeded \$1,000, that is, a \$3,000 advance of EIDL funds paid as a result of an EIDL application submitted under the name Therapeutic Solutions Inc.

**(Theft of Government Property, in violation of Title 18,
United States Code, Section 641).**

COUNT NINE
(Laundering of Monetary Instruments)

45. Paragraphs 1 through 21 and 23 through 35 are realleged here.

46. On or about May 27, 2020, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

did knowingly conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, to wit, the purchase of a cashier's check from the Therapy Dog BOA Account (BOA 9804) at a branch in the District of Columbia in the amount of \$1,130,000, made payable to the order of Company A, which involved the proceeds of a specified unlawful activity, that is, wire fraud, in violation of 18 U.S.C. § 1343, and bank fraud, in violation of 18 U.S.C. § 1344, knowing that the transaction was designed in whole and in part to conceal and disguise, the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity and that while conducting and attempting to conduct such financial transaction knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity.

**(Laundering of Monetary Instruments, in violation of Title 18,
United States Code, Section 1956(a)(1)(B)(i)).**

COUNTS TEN AND ELEVEN
(Monetary Transaction of Criminally Derived Property)

47. Paragraphs 1 through 21 and 23 through 35 are realleged here.

48. On or about May 27, 2020, and in the amounts set forth below, in the District of Columbia and elsewhere, the defendant,

KENNETH PATRICK GAUGHAN,
also known as Richard Strauski,

did knowingly engage and attempt to engage in a monetary transaction by, through, and to a financial institution in and affecting interstate commerce in criminally derived property that was of a value greater than \$10,000, and was derived from specified unlawful activity (specifically, wire fraud, in violation of 18 U.S.C. § 1343, and bank fraud, in violation of 18 U.S.C. § 1344):

Count	Amount	Monetary Transaction
10	\$295,550	Transfer from the Therapeutic BOA Account (BOA 6270) at Bank of America, a financial institution, to an account held in the name of Company B by People's United Bank
11	\$1,130,000	Purchase of a cashier's check from the Therapy Dog BOA Account (BOA 9804) at a branch of Bank of America, a financial institution, made payable to the order of Company A

**(Monetary Transaction of Criminally Derived Property,
in violation of Title 18, United States Code, § 1957).**

FORFEITURE ALLEGATION

1. Upon conviction of any of the offenses listed in Count One through Count Five and Count Eight of this Indictment, the defendant shall forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to these offenses, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c). The United States will also seek the forfeiture of the following specific property: (1) \$66,501.91 in United States currency seized from the defendant's Bank of America account ending in 6270 on August 11, 2020; (2) \$20,170.20 in United States currency seized from the defendant's Bank of America account ending in 9804 on August 11, 2020; (3) \$106,844.27 in United States currency seized from the defendant's Robinhood Markets, Inc. account ending in 9946 on August 19, 2020; (4) a 2020 Kia Stinger, bearing vehicle identification number ("VIN") KNAE45LC5L6080651, and associated keys, seized on August 11, 2020; (5) a 2020 Cruisers Yachts 338 CX, bearing hull identification number CRSBN259D920, and associated keys, seized on August 11, 2020; (6) real property and improvements located at 112 V Street, NE, Washington, DC, 20002; and (7) \$50,000 in United States currency seized from a safe located in the defendant's front patio flower box on August 11, 2020. The United States will also seek a forfeiture money judgment against the defendant in the amount of \$2,182,465.

2. Upon conviction of the offenses alleged in Count Nine and/or Counts Ten and Eleven of this Indictment, the defendant shall forfeit to the United States any property, real or personal, involved in this offense or any property traceable to such property, pursuant to Title 18, United States Code, Section 982(a)(1). The United States will also seek the forfeiture of the following specific property: (1) \$66,501.91 in United States currency seized from the defendant's

Bank of America account ending in 6270 on August 11, 2020; (2) \$20,170.20 in United States currency seized from the defendant's Bank of America account ending in 9804 on August 11, 2020; (3) \$106,844.27 in United States currency seized from the defendant's Robinhood Markets, Inc. account ending in 9946 on August 19, 2020; (4) a 2020 Kia Stinger, bearing vehicle identification number ("VIN") KNAE45LC5L6080651, and associated keys, seized on August 11, 2020; (5) a 2020 Cruisers Yachts 338 CX, bearing hull identification number CRSBN259D920, and associated keys, seized on August 11, 2020; (6) real property and improvements located at 112 V Street, NE, Washington, DC, 20002; and (7) \$50,000 in United States currency seized from the defendant's front patio flower box on August 11, 2020. The United States will also seek a forfeiture money judgment against the defendant in the amount of at least \$1,425,550.

3. If any of the property described above as being subject to forfeiture, 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 that cannot be divided without difficulty;

the defendant shall forfeit to the United States any other property of the defendant, up to the value of the property described above, pursuant to Title 21, United States Code, Section 853(p).

(Criminal Forfeiture, pursuant to Title 18, United States Code, Section 981(a)(1)(C), Title 18,

United States Code, Section 982(a)(1), Title 28, United States Code, Section 2461(c),
and Title 21, United States Code, Section 853(p))

A TRUE BILL:

FOREPERSON

Handwritten signature of Channing D. Phillips in blue ink.

Attorney of the United States in
and for the District of Columbia