

PRESS RELEASE

Memphis Man Sentenced in Connection with Scheme to Defraud COVID-19 Relief Program of Over \$700,000

Friday, November 15, 2024

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For Immediate Release

U.S. Attorney's Office, Western District of Tennessee

Memphis, TN – A Memphis man was recently sentenced to federal prison in connection with his scheme to defraud the Paycheck Protection Program (PPP), a federal program intended to help small businesses survive the COVID-19 pandemic. Reagan Fondren, Acting United States Attorney for the Western District of Tennessee, announced the sentence today.

According to information presented in court, **Herman Shaw, 44**, used an accomplice to assist him in submitting a fraudulent PPP loan application in the name of "Freight Masters, Inc.," his small trucking business, to a United States Small Business Administration (SBA) approved lending institution. The application contained numerous false statements, including false information about the number of persons Freight Masters employed. Shaw received \$782,212 in loan proceeds to be used for approved purposes such as paying his purported employees. Shaw, instead, used the loan proceeds to pay gambling debts and other personal expenses and to provide his accomplice with a \$262,000 kickback.

On August 2, 2024, Shaw pled guilty to a one-count information that charged him with wire fraud. United States District Court Judge Thomas L. Parker sentenced Shaw to 30 months in federal prison on November 6, 2024. He was also ordered to pay restitution to the United States Small Business Administration in the amount of \$782,212. There is no parole in the federal system.

Acting U.S. Attorney Fondren stated: "Individuals preying on the generosity provided by the Paycheck Protection Program stole money from U.S. taxpayers for personal gain without regard to the economic losses felt around the country. This sentencing reflects the severity of thefts from COVID-19 relief programs.

I commend the federal law enforcement agents who uncovered this fraud and brought this defendant to justice. I would especially like to thank the SBA Office of Inspector General – Central Region, the United States Secret Service – Memphis Field Office, FDIC – Office of Inspector General, Federal Housing Finance Agency – Office of Inspector General, the Gulf States Field Division of the Treasury Inspector General for Tax Administration (TIGTA), and the Pandemic Response Accountability Committee who jointly investigated this fraud in an effort to protect the integrity of the Paycheck Protection Program in this instance and COVID-19 relief programs in general.

My office will continue to work with our law enforcement partners to bring those who committed pandemic benefit fraud in the Western District of Tennessee to justice and use all appropriate tools to recover stolen pandemic relief funds.”

The case was investigated by the Small Business Administration, the U.S. Secret Service, TIGTA, the FDIC, the Federal Housing Finance Agency, and the Pandemic Response Accountability Committee.

Acting U.S. Attorney Fondren also thanked Assistant U.S. Attorney Tony Arvin, who prosecuted this case, as well as law enforcement partners for their roles in the investigation.

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Updated November 15, 2024