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DEPARTMENT OF JUSTICE

JUSTICE NEWS

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FOR IMMEDIATE RELEASE

Wednesday, September 30, 2020

Hawaii CEO Charged with COVID-Relief Fraud

A Hawaii man has been taken into custody on allegations he fraudulently obtained more than \$12.8 million in Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, announced Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division and U.S. Attorney Kenji M. Price of the District of Hawaii.

Martin Kao, 47, of Honolulu, Hawaii, was charged in a federal criminal complaint, unsealed today, filed in the District of Hawaii with two counts of bank fraud and five counts of money laundering. Kao will make his initial appearance Thursday at 9:30 HST before U.S. District Court Judge Kenneth J. Mansfield.

The complaint alleges that Kao, as Chief Executive Officer of Navatek LLC (now known as Martin Defense Group LLC), submitted at least two fraudulent PPP loan applications. In sum, Kao received approximately \$12.8 million in PPP funds, over \$2 million of which he transferred to his own personal accounts. According to the charges, Kao falsely inflated the number of employees on the loan application and falsely certified that the applicant and its affiliates would not receive, and had not received, another PPP loan.

The 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 the CARES Act provides 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 federal criminal complaint is merely an accusation. A defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by IRS-Criminal Investigation and the SBA's Office of Inspector General. Trial Attorney Tom Tynan of the Criminal Division's Fraud Section and Assistant U.S. Attorney Craig Nolan for the District of Hawaii 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 Kao Complaint](#)

Topic(s):

Coronavirus

Disaster Fraud

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - Hawaii](#)

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