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Department of Justice

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Two North Bay Brothers Plead Guilty To Separate But Similar Pandemic Relief Fraud Schemes Netting Over \$2 Million

Brothers Obtained COVID-19 Relief Funds By Creating Numerous Fake Businesses Along With Fraudulent Incorporation And Tax Documents

SAN FRANCISCO – Caesar Oskan, also known as Sezer Ozkan, and his brother Ester Ozkar, also known as Eser Ozkay, pleaded guilty today in federal court to making false statements to a financial institution in separate schemes to defraud the federal government of pandemic relief funds, announced Acting United States Attorney Stephanie M. Hinds; Internal Revenue Service Criminal Investigation Acting Special Agent in Charge Michael Daniels; United States Secret Service Special Agent in Charge of San Francisco Field Office James Anderson; Federal Bureau of Investigation Special Agent in Charge Craig D. Fair; Treasury Inspector General for Tax Administration J. Russell George; Small Business Administration Office of Inspector General, Western Region Special Agent in Charge Weston King; and Office of Inspector General for the Board of Governors of the Federal Reserve System and Bureau of Consumer Financial Protection, Western Region Special Agent in Charge Scott Redington.

Both Caesar Oskan, 66, of San Rafael, and Ester Ozkar, 66, of Novato, admitted as part of their guilty pleas that between March 2020 and June 2020 they each submitted multiple separate fraudulent applications for Economic Injury Disaster Loans (EIDL) and Paycheck Protection Program (PPP) loans in a scheme to defraud the Small Business Administration and the banks handling the PPP loans. EIDL and PPP are loan programs designed to help businesses survive during the Covid-19 pandemic.

In his written plea agreement, Caesar Oskan admitted that he obtained \$1,006,004 in fraudulent PPP loans and \$713,500 in fraudulent EIDL loans and advances. In Ester Ozkar's plea agreement, he admitted that he obtained \$474,132 in fraudulent PPP loans and \$9,000 in EIDL advances.

"Pandemic relief funds are limited and intended to save legitimate struggling businesses from failing," said Acting United States Attorney Stephanie M. Hinds. "Individuals, like these two brothers, who treat these pools of relief funds as their personal bank accounts deserve to be vigorously prosecuted."

"Honest and law abiding citizens are fed up with the likes of those who use deceit and fraud to line their pockets with money intended to help businesses affected by the pandemic," said Michael Daniels, Acting Special Agent in Charge IRS Criminal Investigation. "Those individuals who engage in this type of financial fraud should know they will not go undetected and will be held accountable."

“The U.S. Secret Service is dedicated to investigating those who prey on businesses by taking advantage of pandemic relief funds,” said United States Secret Service Special Agent in Charge of the San Francisco Field Office James Anderson. “This investigation exemplifies the success we can achieve when the Secret Service and our law enforcement partners work together to protect America’s financial infrastructure.”

“The FBI and our partners are actively working to identify individuals, like the Oskan brothers, who are taking advantage of COVID relief programs intended to support hardworking Americans and small businesses struggling with financial challenges due to the pandemic,” said FBI Special Agent in Charge Craig D. Fair. “We will continue to collaborate across agency lines to combat this type of fraud and ensure these crucial funds are used as intended – not to enrich those who exploit the system for their own greed.”

“The Treasury Inspector General for Tax Administration will aggressively pursue those who endeavor to defraud taxpayer-funded Coronavirus Aid, Relief, and Economic Security Act programs, which were established to provide assistance to American business owners during these unprecedented times,” said J. Russell George, Treasury Inspector General for Tax Administration. “We appreciate the efforts of the U.S. Department Justice and our law enforcement partners in this effort.”

“Lying to gain access to economic stimulus funds will be met with justice,” said Small Business Administration Office of Inspector General, Western Region Special Agent in Charge Weston King. “SBA OIG will relentlessly pursue evidence of fraud against SBA’s programs aimed at assisting the nation’s small businesses struggling with pandemic challenges. I want to thank the U.S. Attorney’s Office for its leadership and dedication to pursuing justice.”

“The defendants admitted to defrauding the federal government of pandemic relief funds and are now convicted felons,” said Scott Redington, Special Agent in Charge, Western Region, Office of Inspector General for the Board of Governors of the Federal Reserve System and Bureau of Consumer Financial Protection. “We are fully committed to bringing to justice wrongdoers who exploit and defraud financial institutions and the government’s response to the COVID-19 pandemic.”

The admissions of the two defendants in their respective written plea agreements describe the breadth of their criminal schemes. In Caesar Oskan’s plea agreement, he admitted that he submitted 27 fraudulent applications for PPP and EIDL loans. The applications were submitted on behalf of several entities with names such as “Bake and Wrap LLC”, “Comfort Plus Transportation LLC”, “Fast Food Plus LLC”, “Healthy Comfort Food”, and “CTC Trade LLC”. Oskan admitted that for many of his applications he registered the fictitious entities with the California Secretary of State, then backdated the Secretary of State documents to reflect earlier creation dates for the entities so that the entity could qualify for a pandemic relief loan. For each of his 27 applications, Oskan created fake IRS tax documents that contained false statements about the number of employees, false payroll costs, and false wage amounts paid.

In an example from his plea agreement, Oskan admitted applying on June 1, 2020, in the name of “CTC Trade LLC” to a bank for a PPP loan in the amount of \$268,719. He had registered CTC Trade LLC as a business with the California Secretary of State less than a month before, on May 6, 2020. However, in his application Oskan represented that CTC Trade LLC was created prior to February 15, 2020 (the creation cutoff date for PPP and EIDL loan qualification), employed 17 employees, and had an average monthly payroll of \$107,468. Oskan admitted in his plea agreement that each of these representations was false. He further admitted submitting fraudulent Articles of Incorporation and a fraudulent IRS form with the application. The application succeeded, and the bank disbursed \$268,719 to him.

Separately, Ester Ozkar admitted in his plea agreement that he submitted eight fraudulent applications for PPP and EIDL loans on behalf of six entities with names such as “7Transportations”, “Alya LLC”, “Century Transportations Inc”, and “Last Mile Shuttle”. Ozkar admitted that Alya LLC was a fictitious entity that he registered with the California Secretary of State and then modified the Secretary of State documents to reflect a creation date earlier than February 15, 2020, so that the entity would qualify for PPP and EIDL

loans. He further admitted that for every application, he created and submitted fake IRS tax documents containing false statements about the entity's number of employees, payroll costs, and wages paid to fictitious employees.

In an example from his plea agreement, Ozkar states that he applied on or about April 7, 2020, on behalf of "Blockchain Tech, LLC" to a bank for a PPP loan in the amount of \$46,250. He admitted he represented in the application that Blockchain Tech, LLC was in operation prior to February 15, 2020, employed four employees, and averaged a monthly payroll of \$18,500. Ozkar further admitted that each of these representations was false. He also admitted that he submitted multiple fraudulent IRS forms in the application. The application succeeded, and the bank disbursed \$46,250 to him.

Caesar Oskan and Ester Ozkar each pleaded guilty to one count of making a false statement to a financial institution, in violation of 18 U.S.C. § 1014. Each defendant faces a maximum penalty of 30 years in prison and a one million dollar fine. However, any sentence imposed by the court will follow only after the court's consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

United States District Judge Charles R. Breyer set a sentencing hearing for each defendant on December 15, 2021, at 10 a.m. The defendants remain out of custody on bond.

For background information, the PPP is administered by the U.S. Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act is a federal law enacted in March 2020 to provide emergency financial assistance to the millions of Americans suffering from the economic effects caused by the COVID-19 pandemic. PPP loan proceeds must be used by the business on certain permissible business expenses, including payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on a PPP loan to be entirely forgiven if the business spends the loan proceeds on these business expense items within a designated period of time and uses at least 60% of the PPP loan proceeds on payroll expenses. Loans made through the PPP are 100% guaranteed by the SBA.

Similarly, the EIDL Program provides low-interest non-forgivable loans and fully forgivable advances to small businesses, among others, in regions affected by disasters. In March 2020 EIDL funds were made available to all states and territories due to the magnitude and severity of the COVID-19 pandemic.

Maya Karwande is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Ralph Banchstubb. The prosecution is the result of an investigation by the Internal Revenue Service Criminal Investigation; the United States Secret Service; the Federal Bureau of Investigation; the U.S. Department of the Treasury Inspector General for Tax Administration; the Office of Inspector General for the Small Business Administration; and the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection.

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Component(s):

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