

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT OF LA.

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WILLIAM W. BLEVINS
CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

FELONY

**INDICTMENT FOR WIRE FRAUD AND CONSPIRACY TO COMMIT
WIRE FRAUD, MAIL FRAUD, IMMIGRATION FRAUD, AND MONEY LAUNDERING**

UNITED STATES OF AMERICA

v.

WILLIAM B. "BART" HUNGERFORD, JR.
TIMOTHY O. MILBRATH

CRIMINAL NO.

SECTION: **SECT. | MAG. 4**

VIOLATIONS:

18 U.S.C. § 1341
18 U.S.C. § 1343
18 U.S.C. § 1349
18 U.S.C. § 1546(a)
18 U.S.C. § 1956(a)(1)(B)(i)
18 U.S.C. § 1956(h)
18 U.S.C. § 1957
18 U.S.C. § 371

* * *

The Grand Jury charges that:

COUNT 1

CONSPIRACY TO COMMIT MAIL FRAUD AND WIRE FRAUD

A. AT ALL TIMES MATERIAL HEREIN:

1. The United States Citizenship and Immigration Services ("USCIS"), a component of the United States Department of Homeland Security, administered the "Employment-Based

Fee _____
Process _____
X Dktd _____
CtRmDep _____
Doc. No. _____

Immigration Fifth Preference” visa program, which was more commonly known as “EB-5” or the “Immigrant Investor Program.”

2. In 1990, Congress amended the Immigration and Nationality Act (“INA”) to provide for classification of “employment creation” immigrants who invested lawfully acquired capital in new commercial enterprises (“NCE”) in the United States that created full-time employment for United States workers. The purpose of the EB-5 immigrant investor visa category was to create new employment for United States workers and to infuse new capital investment into the United States. Congress set the qualifying capital investment level for participation in the EB-5 program at \$1,000,000.00, but individuals could qualify by investing \$500,000.00 in a “targeted employment area” or “TEA,” defined as a rural area or an area which had experienced high unemployment (of at least 150 percent of the national average rate). In either case, the investment was required to create full-time employment for not fewer than ten United States citizens or aliens lawfully admitted for permanent residence or other immigrants lawfully authorized to be employed in the United States (other than the immigrant and the immigrant’s spouse, sons, or daughters). If the investment led to the creation or preservation of at least ten full-time jobs for qualifying United States workers after two years of the immigrant investor’s admission to the United States as a Conditional Permanent Resident, the investor was eligible for permanent legal status.

3. In 1992, Congress authorized what has come to be known as the Regional Center Program, pursuant to which USCIS designated “regional investment center[s] in the United States for the promotion of economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment.” 8 U.S.C. § 1153(b)(5)(A)(ii). Regional Centers had to promote economic growth within a designated geographic area. Immigrant investors could qualify for EB-5 visas by investing through Regional

Centers designated by USCIS.

4. On or about May 5, 2006, defendants, **WILLIAM B. "BART" HUNGERFORD, JR.**, (hereinafter "**HUNGERFORD**") and **TIMOTHY O. MILBRATH** (hereinafter "**MILBRATH**"), both residents of Maryland, created NobleOutReach, LLC, a Maryland limited liability company (hereinafter "NobleOutReach").

5. On or about May 25, 2006, **HUNGERFORD** and **MILBRATH** filed articles of organization with the Louisiana Secretary of State establishing NobleReach-NOLA, LLC (hereinafter "NobleReach").

6. On or about September 25, 2006, NobleReach and the City of New Orleans entered into a Memorandum of Understanding, which permitted NobleReach to act as the City of New Orleans' "principal agent and to operate under the auspices of" the Mayor's Office of Economic Development Regional Center (hereinafter the "New Orleans Regional Center").

7. On or about February 16, 2007, USCIS sent a letter to the City of New Orleans approving the Memorandum of Understanding between the City of New Orleans and NobleReach, authorizing NobleReach to operate the New Orleans Regional Center with a requirement that all individuals' investments be placed in "a new or troubled commercial enterprise within the Parish of Orleans, Louisiana."

8. **HUNGERFORD** and **MILBRATH** marketed the New Orleans Regional Center under the name NobleOutReach. **HUNGERFORD** and **MILBRATH** sent marketing materials and communications to investors, the City of New Orleans, and USCIS under the name NobleOutReach. **HUNGERFORD** and **MILBRATH** advertised that they would operate the New Orleans Regional Center as a "pooled venture capital fund" wherein they would invest in "a continually evolving portfolio of multiple job-creating, for-profit business enterprises, not a single

project or very limited set of projects.” **HUNGERFORD** and **MILBRATH** touted this model as one that would “maximize financial returns, mitigate risks, and maximize job creation for the EB-5 immigrant investor.”

9. Defendants **HUNGERFORD** and **MILBRATH** created NobleRealEstateFund, LP, (“the Fund”), a Delaware limited partnership. The Fund was the NCE into which immigrant investors would invest their money and become limited partners. **HUNGERFORD** and **MILBRATH** also created Noble-RealEstate-GP, LLC, a Delaware limited liability company that served as the general partner of the Fund. **HUNGERFORD** and **MILBRATH** were the sole members of Noble-RealEstate-GP, LLC (hereinafter “the General Partner”).

10. **HUNGERFORD** and **MILBRATH** created a private placement memorandum (PPM) and limited partnership agreement (LPA) for the Fund. These documents were the operating documents for the Fund.

11. According to the PPM and the LPA, the purpose of the Fund was to create financial returns for investors, assist investors in meeting the criteria for the EB-5 program, and to contribute to the “reconstruction and rejuvenation of New Orleans.” The documents stated that the Fund would conduct “all of its business” in the New Orleans TEA, which therefore permitted immigrant investors to invest a minimum of \$500,000.00 instead of a minimum of \$1,000,000.00. The documents further provided that the Fund would adhere to USCIS guidelines and that any profits from the Fund would be allocated 80% to the limited partners of the Fund (i.e., the immigrant investors) and 20% to the General Partner.

12. Each immigrant investor was required to invest \$500,000.00 in the Fund. This \$500,000.00 investment was the minimum amount required by USCIS to be invested in a TEA for an immigrant investor to qualify for the EB-5 visa program. The LPA stated that “there shall be

no conditions or circumstances under which the Immigrant Investors (alien entrepreneurs) as Limited Partners shall not have all their capital placed at risk in the job creating entities for the purposes of employment creation and at-risk in a business or commercial activity that is of an ongoing nature.”

13. As set forth in the LPA and PPM, each immigrant investor was required to pay a separate, one-time service fee equal to 12% of their capital commitment, i.e., \$60,000.00. Additionally, the LPA and PPM stated that the General Partner would be paid a quarterly management fee equal to .625% of either the aggregate capital commitments or the total value of all assets under management by the partnership. However, the LPA stated that “[i]n no event will any fee be taken from the immigrant investor’s required Capital Commitment” of at least \$500,000.00 in job-creating enterprises in New Orleans.

14. Immigrant investors who decided to invest with **HUNGERFORD’S** and **MILBRATH’S** Fund were required to send the \$500,000.00 capital commitment and the separate service fee to the Fund’s escrow accounts. USCIS then required them to complete an Immigrant Petition by an Alien Entrepreneur known as an I-526 to demonstrate, among other things, that they were in the process of investing, or had already invested, the required amount of capital in a suitable EB-5 project. The I-526 petitions included information provided by **HUNGERFORD** and **MILBRATH**. Once USCIS approved an investor’s I-526 petition, the \$500,000.00 investment was released from escrow. **HUNGERFORD** and **MILBRATH** then directed these funds to be wired to other accounts.

15. Two years after the release of the immigrant investor’s \$500,000.00 capital commitment from escrow and the immigrant having resided in the United States as a conditional resident, the immigrant investor was required to submit an I-829 petition. USCIS used the I-829

petition to determine whether the investor qualified for permanent resident status. The I-829 petition had to show, among other things, that the immigrant investor met and sustained the capital investment and job creation requirements. The representations on the immigrant investors' I-829 petitions regarding where their \$500,000.00 was invested and the number of jobs created from their investment were provided by **HUNGERFORD** and **MILBRATH**.

16. From on or about August 1, 2008, through November 2010, **HUNGERFORD** and **MILBRATH** persuaded thirty-one (31) immigrants to the United States to invest a total of \$15.5 million dollars into the Fund. In addition, these immigrant investors paid **HUNGERFORD** and **MILBRATH** a total of approximately \$1,570,000.00 in fees to operate and manage the Fund.

B. THE CONSPIRACY:

17. Beginning at a time unknown, but no later than May 5, 2006, and continuing through at least June 2017, in the Eastern District of Louisiana, and elsewhere, the defendants, **HUNGERFORD** and **MILBRATH**, and others known and unknown to the Grand Jury, did knowingly and willfully combine, conspire, and agree with each other:

- a. to devise a scheme to defraud immigrant investors of money and property by making false material representations and omissions regarding the investment of their capital as well as the operation and management of the Fund and the New Orleans Regional Center, and in furtherance of this scheme to defraud, did make or cause to be made, mailings, in violation of Title 18, United States Code, Section 1341; and,
- b. to devise a scheme to defraud immigrant investors of money and property by making false material representations and omissions regarding the investment of their capital as well as the operation and management of the Fund and the New

Orleans Regional Center, and in furtherance of this scheme to defraud, did make or cause to be made, interstate wirings, in violation of Title 18, United States Code, Section 1343.

C. **MANNER AND MEANS:**

18. It was a part of the conspiracy that **HUNGERFORD** and **MILBRATH** caused immigrant investor funds to be fraudulently diverted to their own personal use instead of using those funds as intended by the Immigrant Investor Program, the Fund's LPA and PPM, and **HUNGERFORD'S** and **MILBRATH'S** own representations to those investors recruited to the Fund, thus depriving Orleans Parish of investment dollars and jeopardizing immigrant investors of their opportunity to attain lawful permanent residency in the United States. **HUNGERFORD** and **MILBRATH**, and others known and unknown to the Grand Jury, sought to accomplish their scheme to defraud by making false and fraudulent misrepresentations about the operation of the Fund; making misrepresentations designed to conceal and prolong the scheme to fraud; making misrepresentations to the City of New Orleans to maintain control of the New Orleans Regional Center; fraudulently creating multiple companies designed to obscure and conceal the path of investor funds; fraudulently causing the Fund to invest in companies in which **HUNGERFORD** and **MILBRATH** held a majority share without disclosing that ownership stake to investors; fraudulently causing checks from bank accounts funded by immigrant investor funds to be drafted to their own personal accounts; fraudulently purchasing real estate with investor funds for themselves, their families, and for others; fraudulently using immigrant investor funds to pay salaries to individuals, including relatives of **HUNGERFORD** and **MILBRATH**, who worked on matters unrelated to the Fund; and fraudulently using immigrant investor funds to pay their personal taxes.

D. OVERT ACTS:

19. On or about the following dates, in furtherance of the conspiracy and to accomplish its purposes, the defendants, **HUNGERFORD** and **MILBRATH**, and others known and unknown to the Grand Jury, committed the following overt acts, among others, in the Eastern District of Louisiana and elsewhere:

20. From on or about May 25, 2006, through on or about April 28, 2011, **HUNGERFORD** and **MILBRATH** formed multiple limited liability companies in Louisiana, Maryland, and Delaware, among them: Bay-Nola-Mgmt, LLC (“Bay-Nola-Mgmt”); NOP, LLC; Bartone, LLC; Timone, LLC; Bay-One-Capital, LLC; VP Nola, LLC; VP Nola 1, LLC; VP Nola 2, LLC; Noble-Franchise 1&3, LLC; Bay-Wow-Franchise 2, LLC; and Noble-Ventures LLC, each with separate bank accounts. **HUNGERFORD** and **MILBRATH** represented to investors that many of these entities were New Orleans-based job-creating enterprises when, in truth and in fact, they were not located in New Orleans and **HUNGERFORD** and **MILBRATH** held controlling ownership interests in them.

21. In calendar year 2007, **HUNGERFORD** and **MILBRATH** paid themselves approximately \$39,266.00, designated as a salary from NobleOutReach.

22. On or about March 17, 2008, **HUNGERFORD** and **MILBRATH** each received a check for \$150,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach’s BB&T Bank account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “re-payment of loan.”

23. On or about March 19, 2008, **HUNGERFORD** sent an email to prospective immigrant investor C.K.T., in which **HUNGERFORD** represented that the Fund “offers the best opportunity to produce both solid financial returns AND provide sufficient job production to

provide the required number of jobs and thus the best opportunity to achieve the immigrant investors' goals of permanent residency in the USA."

24. On or about April 21, 2008, **HUNGERFORD** and **MILBRATH** each received a check for \$125,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T Bank account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "re-payment of loan."

25. On or about August 18, 2008, **HUNGERFORD** and **MILBRATH** each received a check for \$25,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298.

26. On September 23, 2008, **HUNGERFORD** sent a letter to a City of New Orleans official in which he represented that "NobleReach-NOLA, LLC ('Noble') remains absolutely committed to fulfilling its obligations under the Memorandum of Understanding (our binding contractual Agreement between the City and Noble) and to assist in the continued rebuilding of the City."

27. On or about October 13, 2008, **HUNGERFORD** and **MILBRATH** each received a check for \$120,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as "owner distribution – management fee."

28. On or about December 15, 2008, **HUNGERFORD** and **MILBRATH** each received a check for \$10,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan repayment."

29. In calendar year 2008, **HUNGERFORD** and **MILBRATH** paid themselves and their spouses funds designated as a salary from NobleOutReach. **HUNGERFORD** and his spouse took a total of approximately \$295,600.00 in salary, and **MILBRATH** and his spouse likewise took a total of approximately \$295,600.00 in salary.

30. In June 2009, **HUNGERFORD** and **MILBRATH** sent an “update letter” to immigrant investors of the Fund, in which they falsely stated that “[t]he Fund is actively engaged in pursuing the Fund’s investment objectives, and working hard every day to attempt to satisfy all of the conditions under which you have entered the Program.” **HUNGERFORD** and **MILBRATH** falsely represented that the Fund was investing in New Orleans-based businesses, and that they were continuing “to work hard for the Fund and your financial and immigration benefits through the EB-5 Program.”

31. On or about June 22, 2009, **HUNGERFORD** and **MILBRATH** each deposited a check for \$175,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach’s BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “loan repayment.”

32. On or about September 17, 2009, **HUNGERFORD** and **MILBRATH** each deposited a check for \$225,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach’s BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “loan repayment.”

33. On or about October 29, 2009, **HUNGERFORD** sent an email, on which **MILBRATH** was copied, to T.L., a prospective immigrant investor. **HUNGERFORD** falsely stated that the Fund “put[s] everything out in the open and only charge[s] a 1 time fee – and less

than other centers.” **HUNGERFORD** further stated, “Open, honest, and straight-forward. Its [sic] the way we operate.”

34. On or about November 18, 2009, **HUNGERFORD** and **MILBRATH** each deposited a check for \$200,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach’s BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “loan.”

35. On or about December 30, 2009, **HUNGERFORD** sent an email, on which **MILBRATH** was copied, to prospective immigrant investor F.C. In that email, **HUNGERFORD** falsely stated that the Fund’s portfolio included projects that had a profit percentage of 36%. **HUNGERFORD** also misrepresented that the Fund already had adequate investors to invest in coffee shops, restaurants, hotels, land, a conference center, and an office building, and that these investments “are producing jobs and financial returns.” **HUNGERFORD** claimed that, “We run a very successful EB-5 Regional Center” and that they “had 100% success rate for both those eligible to immigrate to the US and 100% success rate for those have received approvals through our Regional Center.”

36. In calendar year 2009, **HUNGERFORD** and **MILBRATH** paid themselves and their spouses funds designated as salary from NobleOutReach and Bay-Nola-Mgmt. **HUNGERFORD** and his spouse took a total of approximately \$295,700.00 in salary, and **MILBRATH** and his spouse likewise took a total of approximately \$295,700.00 in salary.

37. On or about February 24, 2010, **HUNGERFORD** and **MILBRATH** each deposited a check for \$200,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach’s BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “loan.”

38. In March 2010, **HUNGERFORD** and **MILBRATH** produced a NobleOutReach “I-526 RC Business Document Summary” that was intended to be included with EB-5 Immigrant Investor I-526 Petitions that were to be sent to USCIS. **HUNGERFORD** and **MILBRATH** represented, “We are excited about, and especially to participate in, the rebuilding opportunities within the City of New Orleans, Louisiana (NOLA) USA.” **HUNGERFORD** and **MILBRATH** falsely stated that NobleOutReach would invest immigrant investors’ funds to “create for-profit entities within the geographic boundaries” of New Orleans. **HUNGERFORD** and **MILBRATH** further asserted that “NobleOutReach has differentiated itself from all other RCs, and improved, created, and implemented an investment ‘vehicle’ which better accomplishes Congress’ and USCIS’ intent for the EB-5 immigrant investor visa program. NobleOutReach has created a venture fund which accomplishes all the legal, financial, immigration, tax, and job creation requirements – and highly diversifies and mitigates the risks associated with the EB-5 program implementation.”

39. On or about April 6, 2010, **HUNGERFORD** fraudulently diverted more than \$10,000.00 of immigrant investor funds to purchase a residential townhouse located at 12507 Crystal Rock Terrace, Germantown, Maryland, for \$177,000.00. **HUNGERFORD** subsequently rented out this property and benefitted through rent paid by tenants.

40. On or about April 13, 2010, **MILBRATH** deposited a check for \$300,000.00 derived from immigrant investor funds. The check was drafted from NobleOutReach’s BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a “loan.” On or about April 15, 2010, **HUNGERFORD** received a wire transfer of \$300,000.00 derived from immigrant investor funds. The wire transfer originated from NobleOutReach’s BB&T account ending in 2298.

41. On or about April 16, 2010, **HUNGERFORD** and **MILBRATH** fraudulently diverted more than \$10,000.00 in immigrant investor funds to purchase 13211 & 13213 Executive Park Terrace, Germantown, Maryland, for \$510,000.00. In order to conceal the source and nature of these funds, **HUNGERFORD** and **MILBRATH** channeled the funds through bank accounts held in the name of Bay-Nola-Mgmt and Bay Nola Ventures MD, LLC. **HUNGERFORD** and **MILBRATH** used the Executive Park Terrace property as office space for NobleOutReach and Bay-Nola-Mgmt, which were not New Orleans-based job-creating enterprises.

42. On or about May 27, 2010, **HUNGERFORD** and **MILBRATH** each deposited a check for \$350,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan."

43. On or about June 23, 2010, **HUNGERFORD** fraudulently diverted more than \$10,000.00 in immigrant investor funds to purchase a residential townhouse at 9740 Athletic Way, North Potomac, Maryland, for \$465,000.00. **HUNGERFORD** subsequently rented out this property and benefitted through rent paid by tenants.

44. On or about June 30, 2010, **HUNGERFORD** and **MILBRATH** each deposited a check for \$225,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan."

45. On or about July 21, 2010, **HUNGERFORD** and **MILBRATH** each deposited a check for \$350,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan."

46. On or about July 29, 2010, **HUNGERFORD** fraudulently diverted more than \$10,000.00 in immigrant investor funds to purchase 42154 Panorama Place, Leesburg, Virginia, for \$490,000.00. **HUNGERFORD** purchased the property as a residence for his relatives who paid **HUNGERFORD** rent.

47. On or about August 17, 2010, **HUNGERFORD** and **MILBRATH** each deposited a check for \$200,000.00 derived from immigrant investor funds. The checks were drafted from NobleOutReach's BB&T account ending in 2298. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan."

48. On or about August 31, 2010, **MILBRATH** fraudulently diverted more than \$10,000.00 in immigrant investor funds to purchase a personal vacation home at 39313 Hatteras Drive, Bethany Beach, Delaware, for \$580,000.00.

49. On or about October 1, 2010, **HUNGERFORD** fraudulently diverted more than \$10,000.00 in immigrant investor funds to purchase land within a country club development located at 11250 Ingels Court, Swan Point, Maryland, for \$98,000.00. **HUNGERFORD** purchased this property for his own benefit with the intent to develop it at a later date.

50. In calendar year 2010, **HUNGERFORD** and **MILBRATH** paid themselves and their spouses funds designated as salary from Bay-Nola-Mgmt. **HUNGERFORD** and his spouse took a total of approximately \$563,300.00 in salary, and **MILBRATH** and his spouse took a total of approximately \$563,400.00 in salary.

51. In January 2011, **HUNGERFORD** and **MILBRATH** sent a NobleRealEstateFund, LP "Annual Update to Investors." **HUNGERFORD** and **MILBRATH** misrepresented that their goals in operating the Fund continued to be to "[m]aximize the financial returns for the Fund's investors; [m]aximize the job creation benefits for the Fund's EB-5 Immigrant Investors; and

[r]ejuvenate, revitalize, and rebuild the Regional Center's target region (i.e. Orleans Parish and the City of New Orleans)." **HUNGERFORD** and **MILBRATH** further misrepresented that "[w]e envisioned and endeavored to build the New Orleans Regional Center to be efficiently run and operated, financially successful, and beneficial for the New Orleans community." **HUNGERFORD** and **MILBRATH** misrepresented that they "take great care in preserving the capital our investors place in our trust[.]"

52. On or about April 13, 2011, **HUNGERFORD** and **MILBRATH** fraudulently diverted immigrant investor funds by causing wire transfers from the following Fund portfolio companies' bank accounts:

- \$64,000.00 from Bay Algiers, JV;
- \$85,000.00 from VP Nola 2-WOW, LLC;
- \$15,000.00 from VP Nola 1-WOW, LLC;
- \$91,000.00 from Bay Bourbon Ritas;
- \$90,000.00 from Bay PJs;
- \$100,000.00 from Bay-Nola-Mgmt;
- \$60,000.00 from Bay One Capital;
- \$41,000.00 from Bay Tulane PJs;
- \$10,000.00 from Bay Canal PJs; and
- \$90,000.00 from Noble Franchise 1&3.

These amounts, totaling \$646,000.00, were wired to the NobleOutReach account ending in 2298 at BB&T Bank. On or about April 14, 2011, **HUNGERFORD** and **MILBRATH** each deposited checks for \$271,000.00 drawn from the 2298 account at BB&T Bank. **HUNGERFORD** and **MILBRATH** concealed the nature of this transaction by characterizing the payment as a "loan." On or about April 15, 2011, **HUNGERFORD** and **MILBRATH** each used over \$10,000.00 of these funds to pay their federal taxes.

53. On or about June 26, 2011, **HUNGERFORD** mailed a letter to investor T.S., in which Hungerford represented that all of T.S.'s \$500,000.00 investment had been transferred to Noble-Franchise 1&3, LLC, as part of the Value Place hotel project in New Orleans.

HUNGERFORD sent the letter in response to a request by T.S. for a “full explanation as to where exactly has my money gone and in what proportions.” However, in truth and in fact, **HUNGERFORD** and **MILBRATH** had fraudulently diverted approximately \$240,000.00 of T.S.’s investment funds to themselves on or about October 13, 2008, and approximately \$90,000.00 on or about April 14, 2011.

54. **HUNGERFORD** and **MILBRATH** used Bay-Nola-Mgmt to create fraudulent invoices in order to conceal investor funds that they diverted for their own personal use. These fraudulent invoices were provided to immigrant investors for inclusion in the investors’ applications to USCIS.

55. On or about July 22, 2011, **HUNGERFORD** sent supporting documentation to investor S.M.’s attorney for inclusion in S.M.’s I-829 application to USCIS. **HUNGERFORD** represented that S.M.’s entire \$500,000.00 capital contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees.

56. On or about July 29, 2011, **HUNGERFORD** sent supporting documentation to investor J.I.’s attorney for inclusion in J.I.’s I-829 application to USCIS. **HUNGERFORD** represented that J.I.’s entire \$500,000.00 capital contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and

MILBRATH to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** diverted J.I.'s funds to their own use through checks drafted to themselves on or about September 17, 2009, and November 18, 2009.

57. On or about July 29, 2011, **HUNGERFORD** and **MILBRATH** sent documents to an attorney for investor T.S. These documents were sent in response to USCIS's Request for Evidence on investor T.S.'s I-829 application to USCIS. **HUNGERFORD** and **MILBRATH** falsely represented that all of T.S.'s \$500,000.00 capital contribution had been invested in the Value Place hotel project when, in truth and in fact, **HUNGERFORD** and **MILBRATH** had fraudulently diverted approximately \$240,000.00 of T.S.'s investment funds to themselves on or about October 13, 2008, and approximately \$90,000.00 on or about April 14, 2011.

58. In calendar year 2011, **HUNGERFORD** and **MILBRATH** paid themselves and their spouses funds designated as salary from Bay-Nola-Mgmt. **HUNGERFORD** and his spouse took a total of approximately \$527,000.00 in salary, and **MILBRATH** and his spouse likewise took a total of approximately \$527,000.00 in salary.

59. In February 2012, **HUNGERFORD** and **MILBRATH** sent the City of New Orleans a quarterly update of the New Orleans Regional Center's operations. The report falsely represented that \$15,468,100.00 of investor funds had been invested in job-creating portfolio projects in New Orleans.

60. On or about June 1, 2012, **HUNGERFORD** sent supporting documentation to investor T.L.'s attorney for inclusion in T.L.'s I-829 application to USCIS. **HUNGERFORD** represented that T.L.'s entire \$500,000.00 capital contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-

based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** had fraudulently diverted T.L.'s funds to their own use through checks drafted to themselves on or about August 17, 2010.

61. In July 2012, **HUNGERFORD** and **MILBRATH** sent the City of New Orleans a quarterly update of the New Orleans Regional Center's operations. The report falsely represented that \$15,488,100.00 of investor funds had been invested in job-creating portfolio projects in New Orleans.

62. On or about July 13, 2012, **HUNGERFORD** sent a letter to investor S.G.'s counsel to certify that S.G.'s \$500,000.00 contribution was invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely represented was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees.

63. In calendar year 2012, **HUNGERFORD** and **MILBRATH** paid themselves and their spouses funds designated as salary from NobleOutReach and Bay-Nola-Mgmt. **HUNGERFORD** and his spouse took a total of approximately \$5,150.00 in salary, and **MILBRATH** and his spouse likewise took a total of approximately \$4,150.00 in salary.

64. On or about January 4, 2013, **HUNGERFORD** sent a letter to investor S.A.'s counsel to certify that S.A.'s \$500,000.00 contribution was invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely represented was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and

MILBRATH to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** fraudulently diverted S.A.'s funds to their own use through checks drafted to themselves on or about May 27, 2010.

65. On or about April 16, 2013, **MILBRATH** completed an application in order for NobleOutReach's mail to be delivered to a UPS store in New Orleans, Louisiana, and then forwarded to NobleOutReach's offices in Gaithersburg, Maryland. **HUNGERFORD** and **MILBRATH** subsequently misrepresented the UPS store address as NobleOutReach's place of business in New Orleans when, in truth and in fact, the actual place of business was in Maryland.

66. On or about April 18, 2013, **HUNGERFORD** and **MILBRATH** sent the City of New Orleans a quarterly update of the New Orleans Regional Center's operations. The report falsely represented that \$15,500,000.00 of investor funds had been invested in job-creating portfolio projects in New Orleans.

67. On or about May 31, 2013, **HUNGERFORD** sent supporting documentation to investor S.O.'s attorney for inclusion in S.O.'s I-829 application to USCIS. **HUNGERFORD** represented that S.O.'s entire \$500,000.00 capital contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** fraudulently diverted S.O.'s funds to their own use through checks drafted to themselves on or about July 21, 2010.

68. On or about June 7, 2013, **HUNGERFORD** sent supporting documentation to investor Y.D.'s attorney for inclusion in Y.D.'s I-829 application to USCIS. **HUNGERFORD**

represented that a portion of Y.D.'s \$500,000.00 contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** fraudulently diverted \$91,000.00 of Y.D.'s funds to their own use through checks drafted to themselves on or about April 14, 2011.

69. On or about June 24, 2013, **HUNGERFORD** sent supporting documentation to investor L.W.'s attorney for inclusion in L.W.'s I-829 application to USCIS. **HUNGERFORD** represented that L.W.'s entire \$500,000.00 contribution was invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees. **HUNGERFORD** and **MILBRATH** fraudulently diverted L.W.'s funds to their own use through checks drafted to themselves on or about May 27, 2010 and June 30, 2010.

70. On or about June 24, 2013, **HUNGERFORD** sent supporting documentation to investor M.C.'s attorney for inclusion in M.C.'s I-829 application to USCIS. **HUNGERFORD** represented that a portion of M.C.'s \$500,000.00 contribution was invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely represented was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach

employees. **HUNGERFORD** and **MILBRATH** fraudulently diverted M.C.'s funds to their own use through checks drafted to themselves on or about April 14, 2011.

71. On or about July 24, 2013, **HUNGERFORD** sent supporting documentation to investor R.M.'s attorney for inclusion in R.M.'s I-829 application to USCIS. **HUNGERFORD** represented that a portion of R.M.'s \$500,000.00 capital contribution had been invested in Bay-Nola-Mgmt, a company that **HUNGERFORD** and **MILBRATH** falsely asserted was a New Orleans-based job-creating enterprise. In truth and in fact, Bay-Nola-Mgmt did not create New Orleans-based jobs, was not located in New Orleans, and instead was used by **HUNGERFORD** and **MILBRATH** to divert investor funds to themselves and to pay Maryland-based NobleOutReach employees.

72. On or about February 28, 2014, April 30, 2014, July 2, 2014, October 31, 2014, and January 21, 2015, **HUNGERFORD** and **MILBRATH** sent the City of New Orleans a quarterly update of the New Orleans Regional Center's operations. Each report falsely represented that \$15,500,000.00 of investor funds had been invested in job-creating portfolio projects in New Orleans.

73. On or about May 12, 2015, **HUNGERFORD** and **MILBRATH** caused Bay Nola Ventures MD, LLC, to sell 13211 & 13213 Executive Park Terrace, Maryland, for \$560,888.04. **HUNGERFORD** and **MILBRATH** caused the proceeds to be wired to a Bay Nola Ventures MD bank account at SunTrust Bank, and then transferred the proceeds to another SunTrust Bank account ending in 1064 held in the name of NobleRealEstateFund LP. From on or about May 13, 2015, through on or about December 22, 2015, **HUNGERFORD** and **MILBRATH** spent approximately \$427,607.19 of those proceeds for their own benefit.

74. On or about June 9, 2017, **HUNGERFORD** and **MILBRATH** fraudulently sought

to settle a civil arbitration claim brought against them by immigrant investors S.A. and A.A. **HUNGERFORD** and **MILBRATH** met with S.A. and A.A. at a hotel in Tysons Corner, Virginia. No attorneys were present. In an attempt to settle the claim, **HUNGERFORD** and **MILBRATH** sought to have S.A. and A.A. sign a "Public Statement" that misrepresented that S.A. and A.A. "found no wrongdoing by" NobleOutReach after an "in-depth review of documentation," when, in truth and in fact, S.A. and A.A. had not agreed to such terms.

All in violation of Title 18, United States Code, Section 1349.

COUNT 2

CONSPIRACY TO COMMIT IMMIGRATION FRAUD

A. AT ALL TIMES MATERIAL HEREIN:

75. The allegations contained in Paragraph Nos. 1 through 16 and 18 through 74 of this Indictment are hereby re-alleged and incorporated herein by reference.

B. THE CONSPIRACY:

76. Beginning at a time unknown, but no later than September 1, 2006, and continuing to at least June 2017, in the Eastern District of Louisiana, and elsewhere, the defendants, **HUNGERFORD** and **MILBRATH**, and others known and unknown to the Grand Jury, did knowingly and willfully combine, conspire, and agree with each other to make and cause to be made material false statements under oath and penalty of perjury on an application or other document required by the immigration laws or regulations of the United States, in violation of Title 18, United States Code, Section 1546(a); all in violation of Title 18, United States Code, Section 371.

C. OVERT ACTS:

77. In furtherance of the conspiracy, and to accomplish its object and purpose, the

conspirators committed and caused to be committed, in the Eastern District of Louisiana and elsewhere, the acts listed above in Paragraph Nos. 19 through 74.

COUNT 3

CONSPIRACY TO LAUNDER MONETARY INSTRUMENTS

A. AT ALL TIMES MATERIAL HEREIN:

78. The allegations contained in Paragraphs Nos. 1 through 16 and 18 through 74 of this Indictment are hereby re-alleged and incorporated herein by reference.

B. THE CONSPIRACY:

79. Beginning at a time unknown, but no later than September 1, 2006, and continuing to at least June 2017, in the Eastern District of Louisiana, and elsewhere, the defendants, **HUNGERFORD** and **MILBRATH**, and others known and unknown to the Grand Jury, did knowingly and willfully combine, conspire, and agree with each other to commit offenses against the United States, to wit:

- a. to knowingly conduct and attempt to conduct financial transactions affecting interstate commerce and foreign commerce, which transactions involved the proceeds of specified unlawful activity, to wit: mail fraud, wire fraud, and immigration fraud, in violation of Title 18, United States Code, Sections 1341, 1343, and 1546(a), respectively, knowing that the transactions were designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section

1956(a)(1)(B)(i); and

- b. to knowingly engage and attempt to engage in monetary transactions by, through, and to a financial institution, affecting interstate and foreign commerce, in criminally derived property of a value greater than \$10,000.00, such property having been derived from a specified unlawful activity, to wit: mail fraud, wire fraud, and immigration fraud in violation of Title 18, United States Code, Sections 1341, 1343, and 1546(a), respectively; in violation of Title 18, United States Code, Section 1957.

All in violation of Title 18, United States Code, Section 1956(h).

COUNTS 4-8

WIRE FRAUD

A. AT ALL TIMES MATERIAL HEREIN:

80. The allegations contained in Paragraphs Nos. 1 through 16 of this Indictment are hereby re-alleged and incorporated herein by reference.

B. THE SCHEME:

81. On or about the dates set forth below, in the Eastern District of Louisiana and elsewhere, the defendants, **HUNGERFORD** and **MILBRATH**, for the purpose of executing and attempting to execute a scheme and artifice to defraud and to obtain money, funds and property by false and fraudulent pretenses, representations and promises and attempting to do so, did knowingly cause to be transmitted by means of wire communication in interstate commerce the following emails to a representative of the City of New Orleans.

Count	Date	Type of Wire
4	February 28, 2014	Email to a representative of the City of New Orleans from Maryland to New Orleans, Louisiana.
5	April 30, 2014	Email to a representative of the City of New Orleans from Maryland to New Orleans, Louisiana.
6	July 2, 2014	Email to a representative of the City of New Orleans from Maryland to New Orleans, Louisiana.
7	October 31, 2014	Email to a representative of the City of New Orleans from Maryland to New Orleans, Louisiana.
8	January 21, 2015	Email to a representative of the City of New Orleans from Maryland to New Orleans, Louisiana.

All in violation of Title 18, United States Code, Section 1343.

NOTICE OF FRAUD FORFEITURE

82. The allegations of Counts 1 and 4 through 8 of this Indictment are realleged and incorporated by reference as though set forth fully herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, Sections 1341, 1343, 1349 and 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c).

83. As a result of the offenses alleged in Counts 1 and 4 through 8, the defendants, **HUNGERFORD** and **MILBRATH**, shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c), any and all property, real or personal, which constitutes or is derived from proceeds traceable to violations of Title 18, United States Code, Sections 1341, 1343 and 1349.

84. If any of the property subject to forfeiture, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- 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 which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendants up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Sections 1341, 1343, 1349 and 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c).

NOTICE OF IMMIGRATION FRAUD FORFEITURE

85. The allegation of Count 2 of this Indictment is realleged and incorporated by reference as though set forth fully herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982(a)(6).

86. As a result of the offense alleged in Count 2, the defendants, **HUNGERFORD** and **MILBRATH**, shall forfeit to the United States, all conveyances used in the commission of the violation, all property, real and/or personal, that constitutes or is derived from or is traceable to proceeds obtained directly or indirectly from the commission of the offense, and all property, real or personal, that was used to facilitate, or was intended to be used to facilitate the commission of the offense.

87. If any of the property described above as being subject to forfeiture, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- 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 which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1) to seek forfeiture of any other property of said defendants.

All in violation of Title 18, United States Code, Section 982(a)(6).

NOTICE OF MONEY LAUNDERING FORFEITURE

88. The allegation of Count 3 of this Indictment is realleged and incorporated by reference as though set forth fully herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982.

89. As a result of the offense alleged in Count 3, the defendants, **HUNGERFORD** and **MILBRATH**, shall forfeit to the United States all property real or personal, involved in the aforesaid offenses and all property traceable to such property which was involved in the said violations of Title 18, United States Code, Sections 1956(h) and 982.

90. If any of the property described above as being subject to forfeiture, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- 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 which cannot be subdivided without difficulty;


it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1) to seek forfeiture of any other property of said defendants up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 982.


A TRUE BILL:



DUANE A. EVANS
UNITED STATES ATTORNEY



EMILY K. GREENFIELD
La. Bar Roll No. 28587
Assistant United States Attorney



MATTHEW R. PAYNE
La. Bar Roll No. 32631
Assistant United States Attorney

New Orleans, Louisiana
May 25, 2018