

PRESS RELEASE

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New Orleans Business Owner Pleads Guilty to Conspiracy to Defraud First NBC Bank

NEW ORLEANS – The United States Attorney's Office announced that **KENNETH CHARITY** ("CHARITY"), age 54, a resident of New Orleans, Louisiana, pleaded guilty today to conspiring to defraud First NBC Bank, the New Orleans-based bank that failed in April 2017.

According to the Bill of Information, from in or around February 2007 through April 2017, **CHARITY** had a banking relationship with First NBC Bank, individually and through certain entities. During that time, Bank President A acted as the loan officer for **CHARITY** and the loan officer to certain of **CHARITY**'s entities ("the Entities"). By the time First NBC Bank failed, the balances on the loans issued to **CHARITY** and the entities totaled more than \$18 million. **CHARITY**, Bank President A, and others knowingly conspired to defraud First NBC Bank. According to the Bill of Information, the purpose of the conspiracy was for **CHARITY**, Bank President A, and others to unjustly enrich themselves, disguise the true financial status of **CHARITY** and the Entities, conceal the accurate performance, and misrepresented the purpose of the loans made to **KENNETH CHARITY** and the Entities.

KENNETH CHARITY, Bank President A, and others provided First NBC Bank with materially false and fraudulent documents and financial statements, which, among other things, overstated the value of **KENNETH CHARITY**'s assets, understated his liabilities, and omitted material information. These false statements disguised his and the Entities' true financial condition.

The Bill of Information also alleges that it was part of the conspiracy for Bank President A and others to disguise **CHARITY** and the Entities' true financial condition by, among other things, issuing new loans to **CHARITY** and the Entities, which would pay older loans that **CHARITY** was unable to repay. The new loans would then appear to be current and performing, while the old loans appeared to have been paid. In reality, **CHARITY** had insufficient income and cash flow to support his debt at First NBC Bank. Bank President A was well-aware that **CHARITY** was unable to repay his loans, yet Bank President A continued to falsely represent in bank records that **CHARITY** and his Entities were profitable.

Additionally, the Bill of Information alleges **CHARITY**, Bank President A, and others, carried out the conspiracy by repeatedly lying in bank loan documents about the purpose of loans that Bank President A approved for **CHARITY** and the Entities. Specifically, Bank President A approved loans for **CHARITY** and his Entities that appeared to be for legitimate business purposes. In reality, **CHARITY** spent loan proceeds on personal expenses. Bank President A was aware that **CHARITY** did not spend the loan proceeds consistently with the purposes stated on the loan documents. For example, from in or around August 2014 through in or around December 2016, Bank President A caused three loans to be disbursed to one of **CHARITY**'s entities for the purpose, in part, of enclosing a patio at a beignet shop located at 620 Decatur Street. **CHARITY**

never built the patio. The loan proceeds were used instead to pay **CHARITY**'s overdrafts, which included personal expenses, and to make loan payments.

CHARITY could face up to 30 years' imprisonment, a fine of not more than \$1 million, or twice the gross gain to him or the gross loss of any victims, 5 years of supervised release, and a special assessment of \$100.

Judge Lance M. Africk set **CHARITY**'s sentencing hearing for October 23, 2019 at 2 pm.

This case is being investigated by the Federal Bureau of Investigation; the Federal Deposit Insurance Corporation, Office of Inspector General; and the Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Office of Inspector General. Assistant U.S. Attorneys Sharan E. Lieberman, Matthew R. Payne, Nicholas D. Moses, and J. Ryan McLaren are in charge of the prosecution.

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