***United States Attorney Kenneth Allen Polite, Jr.***



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| **Eastern District of Louisiana** |

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**PETER HOFFMAN AND MICHAEL ARATA INDICTED**

**FOR FRAUDULENT FILM TAX CREDIT SCHEME**

**NEW ORLEANS, LOUISIANA – PETER M. HOFFMAN**, age 63, of Los Angeles, California and **MICHAEL P. ARATA**, age 47, of New Orleans, Louisiana, were charged in a six count Indictment by a Federal Grand Jury with conspiracy and wire fraud, announced United States Attorney Kenneth Allen Polite, Jr.

According to the Indictment, the Louisiana Motion Picture Incentive Act (LMPIA) was enacted to provide incentives for and encourage the filming of motion pictures and television programs in Louisiana. Under the LMPIA, companies making motion pictures were eligible to receive tax credits which were calculated as a percentage of the companies’ qualified expenditures in Louisiana. Qualified expenditures upon which companies could receive tax credits included expenditures on infrastructure. Infrastructure expenditures only included the purchase, construction and use of facilities that were directly related to and utilized for motion picture production in Louisiana. In order to qualify for infrastructure tax credits, all funds had to be actually expended, and such expenditures had to be verified by an independent Louisiana Certified Public Accountant. Businesses that applied to the State for infrastructure tax credits were entitled to receive an amount equal to 40% of their qualified and audited infrastructure expenditures. Once this amount was certified by the State of Louisiana, the applicants could then sell the certification to local businesses and individuals. Such sale of tax credits provided for a significant source of cash for film projects.

The defendant, **PETER M. HOFFMAN**, was the Chief Executive Officer of Seven Arts Entertainment, Inc., a company that was primarily involved in the motion picture and entertainment industry in California. As Chief Executive Officer of Seven Arts Entertainment, Inc., his duties included the selection and production of major motion pictures, strategic planning, business development, operations, financial administration and accounting. **HOFFMAN** was also an attorney and participated as a lawyer and executive in numerous financial and tax-preferred financings over a period of more than twenty-five years. **HOFFMAN** also owned, operated and controlled numerous companies related to and affiliated with Seven Arts Entertainment, Inc.

The co-defendant, **MICHAEL P. ARATA**, was a Louisiana attorney and businessman who also owned and operated companies involved in the movie and entertainment industry. Through their respective companies, **HOFFMAN** and **ARATA** were partners in different movie-industry business ventures.

Through their respective companies, **HOFFMAN** and **ARATA** purchased property located at 807 Esplanade, New Orleans, Louisiana. 807 Esplanade was an old mansion, located in the Faubourg Marigny neighborhood on the edge of the French Quarter, which had fallen into a severe state of disrepair over many years. The proposed reason for purchasing the property was to renovate the mansion and turn it into a film post-production facility.

After purchasing the property, **HOFFMAN** and **ARATA** submitted an application and supporting documents to the State of Louisiana in order to receive film infrastructure tax credits for money the defendants fraudulently claimed had been spent on 807 Esplanade. On or about June 19, 2009, the State of Louisiana issued approximately $1,132,480.80 in tax credits to the 807 Esplanade partnership.

The Indictment charges that **HOFFMAN** and **ARATA** fraudulently submitted materially false and misleading documents and information regarding 807 Esplanade expenditures to the auditors and to the State of Louisiana in order to receive infrastructure tax credits.

“The United States Attorney’s Office, the FBI and the Louisiana Office of the Inspector General stand committed to protecting the economic interests of the United States and the State of Louisiana,” stated U.S. Attorney Polite. “The State of Louisiana has provided significant incentives to the film and entertainment industry in order to develop business and employment in Louisiana. Such an important effort will not be criminally exploited.”

“Those who brazenly steal from the taxpayers and abuse tax credit programs should know that we will relentlessly pursue and hold them criminally accountable wherever possible,” stated Louisiana Inspector General Stephen Street.  “We remain committed to working with the FBI and United States Attorney to root out this sort of corruption wherever it may exist.”

**HOFFMAN** and **ARATA** face a maximum term of imprisonment of five (5) years with respect to Count 1, and twenty (20) years with respect to each of Counts 2 through 6. The defendants also face a maximum fine of $250,000 with respect to each count, and supervised release of three (3) years.

U.S. Attorney Polite reiterated that the Indictment is merely a charge and that guilt of the defendants must be proven beyond a reasonable doubt.

The case is being investigated by Special Agents of the Federal Bureau of Investigation and the Louisiana Office of the Inspector General. The case is being prosecuted by Assistant United States Attorneys G. Dall Kammer and Jordan Ginsberg.