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NORTH SUBURBAN MAN CHARGED WITH CHEATING HANDFUL OF INVESTORS OF SEVERAL MILLIONS OF DOLLARS

CHICAGO – A north suburban man will appear in Federal Court this afternoon after he was arrested yesterday for allegedly defrauding a handful of victims of approximately several million dollars they invested in a commodity futures hedge fund he managed. The defendant, **Jay C. Nolan**, was charged with mail fraud in a criminal complaint filed yesterday, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

Nolan, 56, of Wilmette, remains in federal custody pending a detention hearing at 2 p.m. today before Magistrate Judge Martin Ashman in U.S. District Court.

According to the complaint, Nolan operated Lodge Capital Group, LLC, from an office in Northfield, and managed a hedge fund known as Lodge Diversified Fund LP, which maintained a futures trading account with ADM Investor Services, Inc.

Investor A told federal agents last Saturday that in 2005, he invested approximately $720,000 with Nolan in the Lodge Diversified Fund and made additional investments of approximately $1.5 million in 2006 and $750,000 in 2007. Investor A told agents there were six other investors with Nolan in the Lodge Diversified Fund, according to the charges. Investor A said that he received monthly account statements in the mail since 2005, listing the balance for the fund as well as Investor A's personal account balance and other investment details. Beginning in 2007, the statements were printed on ADM Investor Services letterhead, and Nolan reported each week's investment activity by telephone.

Earlier this month, Investor A reported that he received an account statement showing that his balance at the end of October was $5,611,901.26, and that the Lodge Diversified Fund had a balance of $6,308,409.51. Investor A contacted ADM Investor Services and learned that the Lodge Diversified Fund had an account balance of approximately $170,000. Investor A, accompanied by Investor B, then met with Nolan and allegedly learned that Nolan had lost much of the money in the hedge fund in 2006 and had been sending false statements to investors to hide the substantial losses that he had incurred. A bank account that purportedly contained millions of dollars in government securities to collateralize the ADM futures trading account, allegedly had a recent balance of approximately $100,000. Despite the losses, Nolan allegedly continued taking a two percent monthly management fee from the investors.

The government is being represented by Assistant U.S. Attorney Benjamin F. Langner.

Mail fraud carries a maximum penalty of 20 years in prison and a maximum fine of $250,000 and restitution is mandatory. The Court may also impose a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater. If convicted, however, the Court would determine a reasonable sentence to impose under the advisory United States Sentencing Guidelines.

A complaint contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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