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**NORTH SUBURBAN MAN INDICTED IN ALLEGED FRAUD SCHEME INVOLVING \$4 MILLION RAISED FROM 50 INVESTORS IN SLEEP DISORDER BUSINESSES**

CHICAGO — A north suburban man was indicted on federal charges for allegedly fraudulently obtaining approximately \$4 million from more than 50 investors in now-defunct sleep disorder businesses that he operated in Northbrook. The defendant, **Kenneth A. Dachman**, was charged with 11 counts of wire fraud in an indictment returned by a federal grand jury yesterday, 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, announced today. Dachman allegedly misappropriated at least \$2 million of co-mingled funds from investors and the companies to benefit himself and his family.

Dachman, 52, of Glencoe and formerly of Lake Forest, will be arraigned at a later date in U.S. District Court. He operated Central Sleep Diagnostics, LLC, which purported to treat sleep apnea and sleep-related illnesses by conducting diagnostic studies in a patient's own home instead of a hospital or clinic, and Advanced Sleep Devices, LLC, which purported to sell equipment used to treat sleep disorders to patients. He also operated Key Partners, LLC, to handle marketing for both businesses.

Between June 2008 and September 2010, Dachman allegedly fraudulently obtained funds from investors by misrepresenting the use of the funds, the expected return on and risks involved in investments, his business background, the financial condition of Central Sleep and Advanced Sleep and the status of investments. Instead of using the funds to operate the businesses as he promised, Dachman used a significant amount of the investors' funds to purchase a two-acre mansion in Lake Forest, to operate a tattoo parlor in Chicago that was co-owned by his son-in-law, to purchase vacations and cruises for himself and his family to Italy, Nevada, Florida and Alaska, to purchase a new sport utility vehicle, to fund personal gambling in Las Vegas and stock trading, and to purchase rare books and antiques.

The indictment seeks forfeiture of at least \$4 million, as well as a 2008 Land Rover.

According to the indictment, Dachman and an individual he retained as director of investor relations offered and sold at least three forms of investments in Central Sleep and Advanced Sleep to the public: an "Assignment of Units" agreement which gave investors units or shares in Central Sleep or Advanced Sleep; a "Convertible Debt Agreement" in which Dachman personally guaranteed he would repay investors' principal, as well as monthly payments equal to between 5 and 24 percent annually; and an agreement which enabled investors to purchase various sleep-related equipment and lease it back to Central Sleep Diagnostics. Dachman told prospective investors and investors that the funds he raised would be used to purchase sleep-related equipment, to rent office space, to set up the companies' offices, to hire and pay administrative personnel, and to retain and pay physicians to review sleep diagnostic studies.

From July 2008 through January 2009, the indictment alleges that Dachman falsely represented to the first 15 investors in Central Sleep that their combined funds of approximately \$1.4

million would be used to open and operate Central Sleep. In fact, he allegedly intended to and did use almost \$1 million of these funds for his own use and benefit, including more than \$200,000 for personal stock trading, more than \$180,000 to operate the tattoo parlor, Windy City Ink, and more than \$160,000 to fund checks made payable to himself and his wife, even though at the time, Central Sleep had not received any income from the operation of its business.

The charges allege that Dachman personally guaranteed to repay certain investors' principal without disclosing that he had almost no assets to fund the guarantees and that he had declared personal bankruptcy on seven prior occasions. Dachman also allegedly falsely told victims that he had a PhD from Northwestern University, and that he had invested his own funds in Central Sleep, knowing that he had not done so. To induce additional investments as late as March 2010, Dachman allegedly represented to investors that Central Sleep was a successful company and was "on pace to be the most important and largest sleep diagnostic firm in the world," despite knowing that he was draining the financially-troubled business of previous investor funds.

The government is being represented by Assistant U.S. Attorney Sunil Harjani. The U.S. Securities and Exchange Commission assisted the investigation conducted by the FBI.

The Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and

financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit: [www.StopFraud.gov](http://www.StopFraud.gov).

Each count of wire fraud carries a maximum penalty of 20 years in prison and a \$250,000 fine, 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, the Court must impose a reasonable sentence under the advisory United States Sentencing Guidelines.

An indictment 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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