

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA            )  
  )  
  )        No.  
  )  
KENNETH A. DACHMAN                 )        Violations: Title 18, United States Code,  
  )        Section 1343

**COUNT ONE**

The SPECIAL FEBRUARY 2011-1 GRAND JURY charges:

1. At times material to this indictment:

a. Defendant KENNETH A. DACHMAN operated and controlled companies, including Central Sleep Diagnostics, LLC (“Central Sleep”) and Advanced Sleep Devices, LLC (“Advanced Sleep”), located at 60 Revere Drive, Northbrook, Illinois, and Key Partners, LLC (“Key Partners”), located at 1100 W. Keswick Lane, Lake Forest, Illinois. Central Sleep and Advanced Sleep shared the same management, employees, and office space. Defendant KENNETH A. DACHMAN was the Chairman of Central Sleep, Advanced Sleep, and Key Partners.

b. Central Sleep was purportedly in the business of treating sleep apnea and sleep-related illnesses by conducting diagnostic studies in the patient’s own home rather than in a hospital or laboratory. Advanced Sleep was purportedly in the business of selling equipment to patients that purported to treat sleep apnea and sleep-related illnesses after the patients were diagnosed. Key Partners, according to the defendant, was an international marketing firm with a broad array of experience in marketing and numerous employees, and was to handle the marketing for Central Sleep and Advanced Sleep.

c. Defendant KENNETH A. DACHMAN retained Individual A as the Director

of Investor Relations to recruit prospective investors to invest funds in Central Sleep and Advanced Sleep.

d. Defendant KENNETH A. DACHMAN, along with Individual A, offered and sold and caused to be offered and sold investments in Central Sleep and Advanced Sleep to the public. Defendant KENNETH A. DACHMAN, along with Individual A, offered and caused to be offered at least three forms of investments to the public (collectively “investment agreements”): (1) an “Assignment of Units” agreement whereby investors purchased units or shares in Central Sleep or Advanced Sleep; (2) a “Convertible Debt Agreement” whereby the defendant personally guaranteed the repayment of investors’ principal and the investors were promised monthly payments equal to between 5% and 24% annually; and (3) an agreement whereby the investors purchased various sleep-related equipment and leased it back to Central Sleep Diagnostics.

e. Defendant KENNETH A. DACHMAN represented and caused to be represented to prospective investors and investors that the funds raised from the offer and sale of these investment agreements would be used in the businesses of Central Sleep and Advanced Sleep, including 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.

f. Investors A through L were investors in Central Sleep and/or Advanced Sleep and invested funds with defendant’s companies through the use of interstate wire transfers of funds.

g. From June 2008 through September 2010, defendant KENNETH A. DACHMAN caused approximately \$4,000,000 to be raised from over 50 investors who invested in Central Sleep and/or Advanced Sleep, including from Investors A through L.

2. Beginning no later than in or around June 2008, and continuing until in or around September 2010 in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, devised, intended to devise, and participated in a scheme to defraud, and to obtain money from investors by means of materially false and fraudulent pretenses, representations, and promises, and by means of material omissions, which scheme is further described below.

3. It was part of the scheme that defendant KENNETH A. DACHMAN fraudulently obtained over \$4,000,000 raised from over 50 investors through the offer and sale of investment agreements. In fraudulently obtaining these funds, defendant KENNETH A. DACHMAN misrepresented and caused to be misrepresented the use of investor funds, the expected return on investments, the risks involved in the investments, defendant's business background, the financial condition of Central Sleep and Advanced Sleep, and the status of investments. Additionally, the defendant misappropriated a significant portion of the funds raised from investors for his own benefit.

4. It was further part of the scheme that defendant KENNETH A. DACHMAN falsely represented and caused to be falsely represented to prospective investors and investors that their invested funds would be used to operate Central Sleep and Advanced Sleep, when defendant intended to and did use a significant amount of invested funds for his own personal use and benefit, including but not limited to: to purchase a 2-acre mansion located at 1100 W. Keswick, Lake Forest, Illinois for his personal residence; to operate Windy City Ink, a tattoo parlor located at 166 West Division Street, Chicago, Illinois that was co-owned by defendant's son-in-law; to purchase vacations and cruises for himself and his family members to Italy, Nevada, Florida, and Alaska; to

purchase a new 2008 Land Rover car for his own personal use; to fund personal gambling in Las Vegas; to fund personal stock trading; and to purchase rare books and antiques.

5. It was further part of the scheme that, between in or about July 2008 through in or about January 2009, defendant KENNETH A. DACHMAN, in offering and selling and causing the offer and sale of the investment agreements, falsely represented and caused to be falsely represented to the first fifteen investors in Central Sleep that their combined invested funds of approximately \$1.4 million would be used to open and operate Central Sleep, when defendant intended to and did use almost \$1 million of these invested funds for his own personal use and benefit, including over \$200,000 for personal stock trading, over \$180,000 to operate Windy City Ink, and over \$160,000 to fund checks payable to defendant and his wife. Defendant fraudulently misappropriated these invested funds at a time when Central Sleep had not received any income from the operation of its business.

6. It was further part of the scheme that defendant KENNETH A. DACHMAN, in offering and selling and causing the offer and sale of the investment agreements, falsely represented to certain investors that their funds would be used to purchase certain sleep diagnostic machines to treat patients, when defendant intended to and did use some of those funds for his own personal use and benefit.

7. It was further part of the scheme that defendant KENNETH A. DACHMAN, in offering and selling and in causing the offer and sale of the certain investment agreements, represented and caused to be represented to prospective investors that he personally guaranteed the repayment of their principal, without disclosing that he had almost no assets to fund the guarantees, that he had declared personal bankruptcy on seven prior occasions, and that he did not have the

financial ability to personally repay the principal of any of the investors.

8. It was further part of the scheme that defendant KENNETH A. DACHMAN concealed and caused to be concealed the risk involved in the investments in Central Sleep and Advanced Sleep by not disclosing to investors that defendant intended to and did use at least \$2,000,000 of investor and company funds for his own personal use and benefit, that the company did not have sufficient revenue to pay the monthly returns to investors, and that defendant did not have the financial ability to personally guarantee the principal of investors.

9. It was further part of the scheme that defendant KENNETH A. DACHMAN, in offering and selling and causing the offer and sale of the investment agreements, falsely represented and caused to be falsely represented to prospective investors and investors that defendant had invested his personal funds in Central Sleep, when defendant knew that he had not invested any of his own funds in the company.

10. It was further part of the scheme that defendant KENNETH A. DACHMAN represented and caused to be represented to certain investors that they would receive up to 24% annual interest on their investment to be paid monthly for up to three years, without disclosing that Central Sleep had significant debts and did not have sufficient cash flow to make monthly interest payments to these investors.

11. It was further part of the scheme that, on or about March 5, 2010, defendant KENNETH A. DACHMAN misrepresented and caused to be misrepresented to investors that Central Sleep was a successful company and it was “on pace to be the most important and largest sleep diagnostic firm in the world,” and solicited investors to make another investment of \$25,000 to provide additional cash flow to the company, without disclosing that defendant had caused the

company to have a cash flow problem because he had taken substantial amounts of investor and company funds for his own personal use and benefit.

12. It was further part of the scheme that defendant KENNETH A. DACHMAN falsely represented and caused to be falsely represented to prospective investors and investors his business background, including that he was a successful businessman when defendant knew he had filed for bankruptcy on at least seven prior occasions. Defendant also falsely represented and caused to be falsely represented to prospective investors and investors that he had obtained a PhD at Northwestern University when defendant had never attended Northwestern University.

13. It was further part of the scheme that defendant KENNETH A. DACHMAN misrepresented and caused to be misrepresented to prospective investors and investors that Key Partners, to which Central Sleep and Advanced Sleep had paid approximately \$500,000, was an “international strategic partnership” with numerous employees and substantial marketing experience, when defendant knew that he was the sole owner of Key Partners, that Key Partners had no employees, that defendant had falsely listed his family members as Key Partners’s employees, and that defendant had falsely stated their credentials, including that his mother-in-law had a PhD when she did not, and that his son-in-law had worked in marketing for numerous corporations when in fact he was a tattoo artist.

14. It was further part of the scheme that, on or about November 3, 2009, defendant KENNETH A. DACHMAN falsely represented and caused to be represented to Investor A that Investor A would receive 24% annual interest for three years on his/her investment of \$17,000 and that interest was to be paid monthly when defendant knew that Central Sleep had significant debts and did not have sufficient cash flow to make monthly interest payments to Investor A. Defendant

defaulted after making only six monthly payments to Investor A.

15. It was further part of the scheme that, on or about February 2, 2010, defendant KENNETH A. DACHMAN falsely represented and caused to be represented to Investor B that Investor B would receive 26% annual interest over three years on his/her investment of \$21,000 and that interest was to be paid monthly when defendant knew that Central Sleep had significant debts and did not have sufficient cash flow to make monthly interest payments to Investor B.

16. It was further part of the scheme that defendant KENNETH A. DACHMAN took steps to lull complaining investors to falsely believe that they would be paid back their principal and that their interest payments would continue. For example, defendant provided interest payment checks to certain investors, knowing that they were drawn on insufficient funds to lull them. As another example, in order to lull certain investors about cash flow concerns, defendant falsely represented to them that the defendant asked relatives to invest funds in Central Sleep.

17. It was further part of the scheme that defendant KENNETH A. DACHMAN concealed, misrepresented, and hid and caused to be concealed, misrepresented, and hidden the existence and purpose of the scheme and the acts done in furtherance of the scheme.

18. As a result of defendant KENNETH A. DACHMAN's scheme, defendant fraudulently obtained approximately \$4,000,000 of investor funds and ultimately caused over 50 investors to lose their entire investment, except for the interest payments made to certain investors as part of defendant's scheme.

19. On or about July 10, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$25,000 from the account of Investor A at Century Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor A's investment in Central Sleep;

In violation of Title 18, United States Code, Section 1343.

**COUNT TWO**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about July 29, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$19,950 from the account of Investor B at JP Morgan Chase Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor B's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

**COUNT THREE**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about October 22, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$25,000 from the account of Investor C at Fifth Third Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investors C's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## COUNT FOUR

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about July 2, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$600,000 from the account of Investor D at Merrill Lynch through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor D's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## COUNT FIVE

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about June 17, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$24,985 from the account of Investor E at Royal Bank of Canada through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor E's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

**COUNT SIX**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about October 14, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$50,000 from the account of Investors F and G at Sterling Trust Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investors F and G's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

**COUNT SEVEN**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about November 12, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$20,000 from the account of Investor H at Compass Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor H's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## COUNT EIGHT

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about December 9, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$21,000 from the account of Investors F and G at Sterling Trust Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investors F and G's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

**COUNT NINE**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about January 12, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$100,000 from the account of Investor I at Kish Bank through the Fedwire system in East Rutherford, New Jersey to First American Bank, Elk Grove Village, Illinois, which funds represented Investor I's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## COUNT TEN

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about February 12, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$25,000 from the account of Investor J at Viriva Community Credit Union through the Fedwire system in East Rutherford, New Jersey to Northbrook Bank and Trust, Northbrook, Illinois, which funds represented Investor J's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## **COUNT ELEVEN**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 18 of Count One of this indictment are realleged and incorporated as if fully set forth herein.
2. On or about April 7, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

KENNETH A. DACHMAN,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings, signs, and signals, namely, a funds transfer of approximately \$95,000 from the account of Investors K and L at Citibank through the Fedwire system in East Rutherford, New Jersey to Northbrook Bank and Trust, Northbrook, Illinois, which funds represented Investors K and L's investment in Central Sleep Diagnostics, LLC;

In violation of Title 18, United States Code, Section 1343.

## **FORFEITURE ALLEGATION**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations of Counts One through Eleven of this Indictment are realleged and incorporated herein by reference for the purpose of alleging that certain property is subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of their violations of Title 18, United States Code, Section 1343, as alleged in the foregoing Indictment,

KENNETH A. DACHMAN,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title, and interest in property, real and personal, which constitutes and is derived from proceeds traceable the to the charged offense.

3. The interests of the defendant subject to forfeiture pursuant to Title 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include but are not limited to: at least \$4,000,000 and a 2008 Land Rover, VIN: SALMF15458A291174.

4. If any of the property subject to forfeiture and described above, 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 party;
- (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 divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY