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LONG GROVE MAN SENTENCED TO SEVEN YEARS IN PRISON
FOR FINANCING FRAUD SCHEME RESULTING IN $3 MILLION LOSS

CHICAGO — A northwest suburban man was sentenced today to seven years in federal prison for fraudulently obtaining more than $6 million in bank loans and other funds that resulted in losses totaling more than $3 million. The defendant, **Francis Alan Schmitz**, a former bank executive, provided false financial information in seeking funds to purchase real estate but, instead, used most of the money for his own personal benefit, including to make Ponzi-type payments to previous lenders.

Schmitz, also known as "F. Alan Schmitz," 60, of Long Grove, was ordered to pay $3,109,932 in restitution by U.S. District Judge Rebecca Pallmeyer who imposed the 84-month sentence in Federal Court. The restitution includes approximately $14,000 to the Social Security Administration for benefit payments that Schmitz continued to receive after the death of a relative. Schmitz, who has remained in custody since he was arrested and charged in May 2010, pleaded guilty to mail fraud in September 2010.

The sentence was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago.

According to court documents, Schmitz represented himself to be managing partner of Long Grove Real Estate Partners, LLC, and the president of F. Alan and Associates, Inc., and filed a voluntary bankruptcy petition in December 2009. He was once a vice president and manager of building/administrative services at Northern Trust Company until 1996.

Between approximately 2003 to 2010, Schmitz engaged in a fraudulent financing scheme. As part of the scheme, Schmitz fraudulently attempted to and did obtain loans from a series of banks and other lenders and used a portion of the proceeds in a Ponzi-manner to pay off earlier victims. In obtaining the funds and in concealing his scheme, Schmitz used misrepresentations, forgeries, impersonations of lawyers, accountants and brokers he created, phony documents, false court filings, perjury in a related bankruptcy proceeding, fraudulent emails and other correspondence and the creation and use of a virtual office in the name of a non-existent brokerage firm. Central to his misrepresentation was that he was the beneficiary of a multi-million-dollar trust fund.

One of the last fraudulent loans occurred in early 2009. Schmitz worked with a loan broker to obtain a $2.85 million line of credit that he allegedly falsely represented would be used to make deposits on 11 investment properties in Long Grove. Schmitz pledged $5.375 million in purported trust assets as collateral, and represented a net worth of more than $6.3 million, with nearly $5.6 million in liquid assets. In early 2009, Schmitz provided periodic account statements for the purported trust, a personal financial statement, and personal and trust income tax returns for two years to First Midwest Bank, which extended the line of credit based on Schmitz's representations of his financial condition.

The trust account statements that Schmitz provided to the bank purported to be issued by a trust company in Florida, but, in fact, was nothing more than a "virtual office," whose mail and purported web site were traced to a mail drop facility that Schmitz used in Arlington Heights. The personal financial statement that he provided allegedly failed to disclose at least four outstanding bank loans totaling more than $3.3 million, and stated that his gross annual salary was $275,000 (his purported tax returns listed more than $300,000 in total income), while his bankruptcy petition listed his total employment income as only $15,000 in 2007, $16,626 in 2008, and $14,000 in 2009.

Schmitz caused the entire $2.85 million line of credit to be disbursed almost immediately upon its approval, with $350,000 of the proceeds placed in escrow to pay interest and approximately $59,000 applied to broker and bank fees. The remaining $2,440,850 was transferred to a business bank account he controlled. Within days, Schmitz allegedly wire transferred $1,630,274 to Inland Bank & Trust to pay on a defaulted loan and he used another $40,200 to pay past due rent. He used another $20,000 to pay a civil judgment and transferred approximately $380,000 to his personal bank account.

About two weeks after First Midwest Bank provided Schmitz with the line of credit, the bank discovered that the trust assets pledged as collateral were non-existent. First Midwest Bank bore approximately $2.25 million of the loss from the fraud scheme, with two Chicago area funding entities, Rego Group, Ltd., and Finansco Associates, Ltd., absorbing the remaining losses.

The government was represented by Assistant U.S. Attorney Edward Kohler.

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