

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
) Violations: Title 18, United States
) Code, Section 1344
v.)
ROBERT J. LUNN)

COUNT ONE

The SPECIAL SEPTEMBER 2011 GRAND JURY charges:

1. At times material to this indictment:

 (a) Defendant ROBERT J. LUNN owned and operated Lunn
Partners, LLC, an investment advisory business.

 (b) Leaders Bank, located in Oak Brook, Illinois, was a financial
institution, the deposits of which were insured by the Federal Deposit Insurance
Corporation.

 (c) Lunn Client A and Lunn Client B were investment adviser
clients of Lunn Partners and defendant LUNN.

Line of Credit

 (d) On or about May 10, 2001, defendant LUNN signed a Business
Loan Agreement with Leaders Bank for a line of credit in the amount of \$480,000.
To obtain the loan, defendant LUNN submitted and caused to be submitted a
Personal Financial Statement in which defendant LUNN represented that he
owned certain stock, namely, 150,000 shares of Morgan Stanley Group with a
market value of \$11,500,000, and 65,000 shares of Lehman Brothers Holding with a
market value of \$5,500,000.

(e) On or about February 9, 2004, defendant LUNN signed a Business Loan Agreement with Leaders Bank, which increased the earlier line of credit to \$1,200,000. To obtain the increase in the line of credit, defendant LUNN submitted and caused to be submitted a Personal Financial Statement in which defendant LUNN represented that he owned certain stock, namely, 100,000 shares of Morgan Stanley with a market value of \$5,800,000, and 15,000 shares of Lehman Brothers with a market value of \$1,000,000.

(f) On or about April 19, 2004, defendant LUNN signed a Change in Terms Agreement with Leaders Bank, which increased the outstanding line of credit to \$1,320,000.

Loan for Client A

(g) On or about September 20, 2002, defendant LUNN arranged for an unsecured loan from Leaders Bank in the amount of \$1,400,000 purportedly for the benefit of Lunn Client A. To obtain the loan, defendant LUNN submitted and caused to be submitted a Net Worth Report for Lunn Client A. Defendant LUNN also represented and caused to be represented to Leaders Bank that Lunn Client A sought the short-term financing purportedly for the purpose of purchasing an interest in an airplane.

Loan for Client B

(h) On or about June 21, 2004, defendant LUNN arranged for a loan from Leaders Bank in the amount of \$500,000 purportedly for the benefit of Lunn Client B. To obtain the loan, defendant LUNN submitted and caused to be

submitted a Net Worth Report for Lunn Client B. Defendant LUNN also represented and caused to be represented to Leaders Bank that Lunn Client B sought this short-term financing purportedly for the purpose of a business investment.

2. Beginning no later than in or around May 2001, and continuing at least through in or around September 2004, at Chicago and Oak Brook, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT J. LUNN,

defendant herein, knowingly devised and participated in a scheme to defraud Leaders Bank and certain of his investment adviser clients and to obtain money and funds owned by and under the custody and control of Leaders Bank by means of materially false and fraudulent pretenses, representations, promises, and omissions, which scheme is described in the following paragraphs.

3. It was part of the scheme that defendant LUNN fraudulently obtained approximately \$3,220,000 from Leaders Bank based on a series of misrepresentations to Leaders Bank about his own assets, the purpose of such financing, and the knowing authorization of clients purportedly seeking the financing. The defendant used substantially all of the fraudulently obtained funds for his own benefit, including misappropriating \$1,400,000 to make payments to unrelated complaining investment adviser clients.

Line of Credit

4. It was further part of the scheme that in or about May 2001, defendant

LUNN submitted and caused to be submitted a Personal Financial Statement containing false information to Leaders Bank in order to induce Leaders Bank to provide an unsecured line of credit in the amount of \$480,000 for Lunn Partners. On the Personal Financial Statement, defendant LUNN falsely stated that he owned certain stock, namely, 150,000 shares of Morgan Stanley with a market value of \$11,500,000, and 65,000 shares of Lehman Brothers with a market value of \$5,500,000. Based in part on defendant's false representations, Leaders Bank provided an unsecured line of credit in the amount of \$480,000.

5. It was further part of the scheme that in or about January 2004, defendant LUNN sought an increase of \$720,000 to the earlier line of credit for a total of \$1,200,000. In order to induce Leaders Bank to approve the increase, defendant LUNN submitted and caused to be submitted a Personal Financial Statement containing false information. On the Personal Financial Statement, defendant LUNN falsely stated that he owned certain stock, namely, 100,000 shares of Morgan Stanley with a market value of \$5,800,000, and 15,000 shares of Lehman Brothers with a market value of \$1,000,000. Based in part on defendant's false representations, Leaders Bank approved the increase in the line of credit to a total amount of \$1,200,000.

6. It was further part of the scheme that on or about April 19, 2004, defendant LUNN applied for a \$120,000 increase in his Leaders Bank line of credit from \$1.2 million to \$1.32 million. Based in part on the previously submitted false information by the defendant, Leaders Bank increased the line of credit to \$1,320,000.

By April 19, 2004, defendant LUNN had used the entire line of credit.

Loan for Lunn Client A

7. It was further part of the scheme that in or about September 2002, defendant caused an application to be submitted to Leaders Bank for a 45-day, unsecured loan in the amount of \$1,400,000 purportedly for the benefit of Lunn Client A, when the defendant intended to and did use the loan proceeds to make payments to unrelated complaining investment adviser clients.

8. It was further part of the scheme that defendant LUNN falsely represented to Leaders Bank that the \$1,400,000 in loan proceeds would be used for Lunn Client A's benefit to purchase an interest in an airplane.

9. It was further part of the scheme that in or around December 2002, defendant LUNN sought and obtained a 60-day extension on the \$1,400,000 loan while still falsely maintaining that the purpose of the loan was for the purchase of an interest in an airplane by Lunn Client A.

10. It was further part of the scheme that in or around February 2003, defendant LUNN sought and obtained a 120-day extension for the \$1,400,000 loan while still falsely maintaining that the purpose of the loan was for the purchase of an interest in an airplane by Lunn Client A.

11. It was further part of the scheme that in or around June 2003, defendant LUNN sought and obtained a 240-day extension for the \$1,400,000 loan while still falsely maintaining that the purpose of the loan was for the purchase of an interest in an airplane by Lunn Client A.

12. It was further part of the scheme that in or around January 2004, defendant LUNN sought and obtained a 1-year extension for the \$1,400,000 loan while still falsely maintaining that the purpose of the loan was for the purchase of an interest in an airplane by Lunn Client A.

Loan for Lunn Client B

13. It was further part of the scheme that in or about June 2004, defendant LUNN caused an application to be submitted to Leaders Bank for a \$500,000 loan purportedly for the benefit of Lunn Client B without Lunn Client B's knowledge, authorization, or consent. Defendant LUNN forged Lunn Client B's signature on this application. As a result of defendant's false application, on or about June 21, 2004, Leaders Bank approved the \$500,000 loan to Lunn Client B.

14. It was further part of the scheme that on or about June 21, 2004, defendant LUNN directed Leaders Bank to disburse \$493,500 of the loan proceeds purportedly for Lunn Client B to an account at Leaders Bank that defendant controlled.

15. It was further part of the scheme that defendant LUNN misappropriated the loan funds for his own use by, among other actions, using the funds to make mortgage payments for a property held by defendant LUNN.

16. It was further part of the scheme that defendant LUNN misrepresented, concealed, hid, and caused to be misrepresented, concealed, and hidden, the purposes of and acts done in furtherance of the scheme.

17. As a result of the fraudulent financing scheme, defendant LUNN

fraudulently obtained approximately \$3,220,000, and ultimately caused a loss to Leaders Bank of more than \$2,700,000.

18. On or about September 20, 2002, at Oak Brook, in the Northern District of Illinois, and elsewhere,

ROBERT J. LUNN,

defendant herein, for the purpose of executing and attempting to execute the above described scheme, knowingly caused Leaders Bank to disburse \$1,400,000 in proceeds from the loan purportedly for the benefit of Lunn Client A to an account at Wachovia Bank held by an unrelated complaining investment adviser client;

In violation of Title 18, United States Code, Section 1344.

COUNT TWO

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 17 of Count One are incorporated here.
2. On or about February 18, 2004, at Oak Brook, in the Northern District of Illinois, and elsewhere,

ROBERT J. LUNN,

defendant herein, for the purpose of executing and attempting to execute the scheme, knowingly caused Leaders Bank to disburse approximately \$656,280 in proceeds from LUNN's line of credit to a Lunn Partners account at Northern Trust;

In violation of Title 18, United States Code, Section 1344.

COUNT THREE

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 17 of Count One are incorporated here.
2. On or about April 19, 2004, at Oak Brook, in the Northern District of Illinois, and elsewhere,

ROBERT J. LUNN,

defendant herein, for the purpose of executing and attempting to execute the scheme, knowingly caused Leaders Bank to disburse approximately \$85,000 in proceeds from defendant LUNN's line of credit to a Lunn Partners account at Northern Trust;

In violation of Title 18, United States Code, Section 1344.

COUNT FOUR

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 17 of Count One are incorporated here.
2. On or about April 20, 2004, at Oak Brook, in the Northern District of Illinois, and elsewhere,

ROBERT J. LUNN,

defendant herein, for the purpose of executing and attempting to execute the scheme, knowingly caused Leaders Bank to disburse approximately \$35,000 in proceeds from defendant LUNN's line of credit to a Lunn Partners account at Northern Trust;

In violation of Title 18, United States Code, Section 1344.

COUNT FIVE

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraphs 1 through 17 of Count One are incorporated here.
2. On or about June 21, 2004, at Oak Brook, in the Northern District of Illinois, and elsewhere,

ROBERT J. LUNN,

defendant herein, for the purpose of executing and attempting to execute the scheme, knowingly caused Leaders Bank to disburse \$493,500 in proceeds from the loan purportedly for the benefit of Lunn Client B to an account at Leaders Bank controlled by defendant LUNN, namely, the “Lunn 26th LLC” account;

In violation of Title 18, United States Code, Section 1344.

FORFEITURE ALLEGATION

The SPECIAL SEPTEMBER 2011 Grand Jury further alleges:

1. The allegations in Counts One through Five of this indictment are realleged for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982(a)(2)(A).

2. As a result of his violations of Title 18, United States Code, Section 1344, as alleged in Counts One through Five,

ROBERT J. LUNN,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(2)(A), any and all right, title, and interest he may have in any property constituting, and derived from, proceeds he obtained directly or indirectly as the result of such violations.

3. The interests of defendant subject to forfeiture pursuant to Title 18, United States Code, Section 982(a)(2)(A), include the sum of at least \$2,700,000.

4. If any of the forfeitable property described above, as a result of any act or omission by defendant:

- (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 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c);

All pursuant to Title 18, United States Code, Section 982(a)(2)(A).

FOREMAN

UNITED STATES ATTORNEY