

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	DATE FILED:
v.	:	CRIMINAL NO.
STEPHEN JEMAL	:	VIOLATIONS: 18 U.S.C. § 1344 (bank fraud - 3 counts) Notice of forfeiture

INDICTMENT

COUNT ONE

THE GRAND JURY CHARGES THAT:

At times material to this indictment:

1. Republic First Bank (“Republic”) was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, certificate no. 27332.
2. Republic maintained its main corporate office in Philadelphia, in the Eastern District of Pennsylvania.
3. Defendant STEPHEN JEMAL was the primary operator of various real estate development companies, including SSJ Development, LLC; SSJ Enterprises, LLC, SSJ Development of Cape May, LLC; and SSJ Development of Cape May County, LLC (“the Jemal companies”), which were created to purchase and develop properties in various locations, including locations in New Jersey and elsewhere.
4. Beginning in or around July 2005, defendant STEPHEN JEMAL applied and caused to be applied to Republic for a series of commercial real estate loans, loan increases, loan renewals and loan extensions on behalf of defendant JEMAL and his wife, S.J., and on behalf of the Jemal companies.

5. P.M. was a Senior Vice President for Republic and the loan officer for STEPHEN JEMAL's loans with Republic.

6. M.G. was a mortgage originator for Republic who helped establish Republic's relationship with defendant STEPHEN JEMAL.

7. E.C. was an Executive Assistant at Republic Bank who received financial information from defendant STEPHEN JEMAL.

8. Southwest Securities, Inc. ("Southwest") was a registered stock broker.

9. Defendant STEPHEN JEMAL maintained brokerage accounts at Southwest, consisting of a portfolio which exclusively contained shares in Nano-Proprietary, Inc. owned by defendant JEMAL and his family ("the Southwest accounts").

10. Up to in or around October 2007, J.S. was employed by defendant STEPHEN JEMAL as an administrative assistant whose responsibilities included communicating with and providing documentation to Republic in connection with defendant JEMAL's loans.

11. I.M. was employed by defendant STEPHEN JEMAL in or around October 2007 as an administrative assistant whose responsibilities included communicating with and providing documentation to Republic in connection with defendant JEMAL's outstanding loans.

12. At the direction and on behalf of defendant STEPHEN JEMAL, J.S. and I.M. created fraudulent Southwest statements, which falsely stated that defendant JEMAL and his family owned a significant number of shares in high-value stocks including Halliburton Holding Corporation, Google, Inc., Cisco Systems, Inc., Microsoft Corp., IntelCorp., and Alliant Techsystems Inc. (the "fraudulent Southwest statements"), when in fact defendant JEMAL's Southwest accounts only contained shares of stock in Nano Proprietary, Inc.

13. At the direction and on behalf of defendant STEPHEN JEMAL, J.S. and I.M., emailed and otherwise transmitted the fraudulent Southwest statements to Republic.

14. Defendant STEPHEN JEMAL, in order to induce and influence Republic to issue loans, loan increases, loan renewals, and loan extensions to defendant JEMAL and S.J. and to the Jemal companies, and to maintain a continuing business relationship with Republic in connection with multiple loans on the basis that defendant JEMAL was a very wealthy and successful real estate developer, submitted and caused to be submitted numerous fraudulent Southwest statements over an extended period of time which falsely reflected that defendant JEMAL and his family owned, at various times, between approximately \$26 million and \$60 million worth of high-value stock in several companies, when in fact, the only stock maintained in the Southwest portfolio was Nano Proprietary, Inc., the value of which never exceeded \$2 million.

15. In deciding whether to issue, increase, extend and renew loans, Republic relied upon financial statements, including statements describing the content and market value of stock portfolios owned by borrowers and potential borrowers, to determine the viability of issuing, increasing, renewing, and extending loans to borrowers and potential borrowers.

16. Republic relied on the fraudulent Southwest stock statements as well as other financial statements provided and caused to be provided to Republic by defendant STEPHEN JEMAL to issue loans, loan increases, loan renewals, and loan extensions to maintain its ongoing business relationship with defendant JEMAL.

17. From or about July 7, 2005 to on or about April 20, 2010, in Philadelphia, in the Eastern District of Pennsylvania, and elsewhere,

STEPHEN S. JEMAL

knowingly executed, and attempted to execute, a scheme to defraud Republic and to obtain monies owned by and under the care, custody, and control of that bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

(Loan 303005: “Loan 1”)

18. On or before August 4, 2005, defendant STEPHEN JEMAL submitted and caused to be submitted fraudulent Southwest statements dated June 15, 2005, which falsely stated that the Southwest accounts held a substantial number of shares of several different high-value stocks, with an aggregate total value at approximately \$26,628,360. In fact, true Southwest portfolio statements dated May 31, 2005 and June 30, 2005 showed that the Southwest accounts held shares in just one company, Nano Proprietary, Inc., with aggregate total values of approximately \$560,531 and \$367,004 respectively.

19. On or about August 9, 2005, Republic approved and settled a one-year renewable commercial mortgage loan request in the amount of approximately \$2.8 million, for the purpose of providing working capital/deposit money for investment real estate activities, to defendant STEPHEN JEMAL and his wife, S.J, in which SSJ Development, LLC and SSJ Enterprises, LLC were named as the guarantors. This loan was designated by Republic as Loan 303005 and is hereafter referred to as “Loan 1.”

20. On or about August 2, 2006, in support of his application for the renewal of Loan 1 and in order to induce and influence Republic to renew Loan 1, defendant STEPHEN JEMAL and J.S. submitted and caused to be submitted, from email joe@ssjdevelopment.com to P.M., fraudulent Southwest statements dated October 31, 2005, June 27, 2006, and August 1, 2006

which falsely stated that the account held stocks valued at approximately \$31,722,560, \$33,272,750 and \$31,160,620 respectively. In fact, true Southwest portfolio statements dated September 30, 2005, June 30, 2006, and September 29, 2006 show balances of approximately \$1,689,334, \$1,253,208 and \$890,248 respectively.

21. On or about August 2, 2006, in support of his application for the renewal of Loan 1 and in order to induce and influence Republic to renew Loan 1, defendant STEPHEN JEMAL and J.S. submitted and caused to be submitted, from email ssjermal@aol.com to M.G. at Republic, fraudulent Southwest statements dated August 1, 2006, which falsely stated that the Southwest accounts held stocks valued at \$31,160,620. In fact, true Southwest statements dated June 30, 2006 and September 29, 2006 show balances of \$1,253,208 and \$890,248 respectively.

22. On or about August 25, 2006, Republic granted an extension of Loan 1 to October 1, 2006 in order to provide additional time to process the renewal request.

23. On or about October 24, 2006, Republic approved an increase of Loan 1 to \$3 million.

24. On or about October 26, 2006, the one-year request for renewal of Loan 1 as increased was approved with a new maturity date of October 1, 2007.

25. Between October 31, 2007 and April 30, 2008 inclusive, Loan 1 was extended by Republic on five occasions, thereby extending Loan 1 to May 1, 2008.

26. On or about April 22, 2009, for the purpose of maintaining his business relationship with Republic in connection with Loan 1 and other outstanding loans, defendant STEPHEN JEMAL and I.M., emailed and caused to be emailed from izzy@ssjdevelopment.com, to E.C. at Republic from Southwest stock statements reflecting a total balance of \$59,974,780 as of

December 31, 2008, when, in fact, JEMAL's actual stock portfolio balance at Southwest was approximately \$79,556 on December 31, 2008.

27. Between or about August 9, 2005 and on or about April 20, 2010, defendant STEPHEN JEMAL defaulted on Loan 1, leaving a remaining balance of approximately \$2,400,000.

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

COUNT TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 16 and 18 through 26 of Count One of this indictment are incorporated here.

2. From or about July 7, 2005 to on or about April 20, 2010, in Philadelphia, in the Eastern District of Pennsylvania, and elsewhere,

STEPHEN S. JEMAL

knowingly executed, and attempted to execute, a scheme to defraud Republic and to obtain monies owned by and under the care, custody, and control of that bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

(Loan 306401: “Loan 2”)

3. On or about August 30, 2005, Republic approved a one-year renewable loan to SSJ Development, LLC (or to-be-determined single-asset entity) in the amount of \$4.1 million for the development of real estate in Cape May County, New Jersey. This loan was designated by Republic as Loan 306401 and is hereafter referred to as “Loan 2.”

4. Republic deemed Loan 1 and Loan 2 to be related.

5. On or about August 31, 2005, Loan 2 settled in the name of SSJ of Cape May, LLC, with defendant STEPHEN JEMAL his wife, S.J., SSJ Enterprises LLC, and SSJ Development, LLC as guarantors.

6. On or about September 30, 2005, Loan 2 was increased to \$4.5 million.

7. On or about August 2, 2006, in support of his application for the extension of Loan 2 and in order to induce and influence Republic to extend Loan 2, defendant STEPHEN

JEMAL and J.S. submitted and caused to be submitted, from email joe@ssjdevelopment.com to P.M. at Republic, fraudulent Southwest statements dated October 31, 2005, June 27, 2006, and August 1, 2006, which falsely stated that the account held stocks valued at \$31,722,560, \$33,272,750 and \$31,160,620 respectively. In fact, true Southwest statements dated September 30, 2005, June 30, 2006, and September 29, 2006 show balances of \$1,689,334, \$1,253,208 and \$890,248 respectively.

8. On or about August 2, 2006, in support of his application for the extension of Loan 2, and in order to induce Republic to extend Loan 2, defendant STEPHEN JEMAL and S.J. submitted and caused to be submitted, from email ssjemal@aol.com to M.G. at Republic, a fraudulent Southwest statement dated August 1, 2006 which falsely stated that the account held stocks valued at \$31,160,620. In fact, true Southwest portfolio statements dated June 30, 2006 and September 29, 2006 show balances of \$1,253,208 and \$890,248 respectively.

9. On or about September 27, 2006, Republic extended the maturity date of Loan 2 was extended until December 1, 2007 in order provide defendant STEPHEN JEMAL additional time to conclude a needed business transaction.

10. On or about December 26, 2006, Loan 2 was extended to April 1, 2007 in order provide defendant STEPHEN JEMAL additional time to obtain legal permits.

11. Between on or about April 27, 2007 and April 30, 2008 inclusive, Loan 2 was extended by Republic on approximately seven occasions, thereby extending Loan 2 to May 1, 2008.

12. On or about April 22, 2009, for the purpose of maintaining his business relationship with Republic by continuing to misrepresent his personal financial wealth in

connection with outstanding Loan 2 and other outstanding loans, defendant STEPHEN JEMAL, emailed and caused to be emailed from izzy@ssjdevelopment.com, to E.C. at Republic, Southwest stock statements reflecting a total balance of \$59,974,780 as of December 31, 2008, when, in fact, JEMAL's actual stock portfolio balance at Southwest was approximately \$79,556 on December 31, 2008.

13. Between or about August 31, 2005 and on or about April 20, 2010, defendant STEPHEN JEMAL defaulted on Loan 2, leaving a remaining balance of approximately \$1,876,000.

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

COUNT THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 16 and 18 through 26 of Count One of this indictment are incorporated here.

2. From or about July 7, 2005 to on or about April 20, 2010, in Philadelphia, in the Eastern District of Pennsylvania, and elsewhere,

STEPHEN S. JEMAL

knowingly executed, and attempted to execute, a scheme to defraud Republic and to obtain monies owned by and under the care, custody, and control of that bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

(Loan 316701: “Loan 3”)

3. On or before December 9, 2005, defendant STEPHEN JEMAL submitted and caused to be submitted to Republic fraudulent Southwest statements dated June 15, 2005 which falsely stated that the account held stocks valued at \$26,628,360. In fact, true Southwest portfolio statements dated May 31, 2005 and June 30, 2005 showed account balances of approximately \$560,531 and \$367,004 respectively.

4. On or about December 14, 2005, defendant STEPHEN JEMAL obtained a ten-month loan on behalf of SSJ Development of Cape May County, LLC in the amount of \$1,850,000 from Republic for the development of real estate in Cape May Courthouse, New Jersey. This loan was designated by Republic as Loan 316701 and is hereafter referred to as “Loan 3.”

5. Republic deemed Loan 3 to be related to Loan 1 and Loan 2.

6. On or about August 2, 2006, in support of his application for the extension of Loan 3 and in order to induce and influence Republic to extend Loan 3 defendant STEPHEN JEMAL and J.S. submitted and caused to be submitted, from email joe@ssjdevelopment.com to P.M. at Republic, fraudulent Southwest statements dated October 31, 2005, June 27, 2006, and August 1, 2006 which falsely stated that the account held stocks valued at \$31,722,560, \$33,272,750 and \$31,160,620 respectively. In fact, true Southwest portfolio statements dated September 30, 2005, June 30, 2006, and September 29, 2006 show balances of \$1,689,334, \$1,253,208 and \$890,248 respectively.

7. On or about August 2, 2006, in support of his application for the extension renewal of Loan 3, and in order to induce and influence Republic to extend Loan 3, defendant STEPHEN JEMAL and J.S. submitted and caused to be submitted, from email ssjemal@aol.com to M.G., a fraudulent Southwest statement dated August 1, 2006 which falsely stated that the account held stocks valued at \$31,160,620. In fact, true Southwest portfolio statements dated June 30, 2006 and September 29, 2006 show balances of \$1,253,208 and \$890,248 respectively.

8. Between on or about February 2, 2007 and April 30, 2008 inclusive, Loan 3 was extended by Republic on approximately six occasions, thereby extending Loan 3 to May 1, 2008.

9. On or about April 22, 2009, for the purpose of maintaining his business relationship with Republic by continuing to misrepresent his personal financial wealth in connection with outstanding Loan 3 and other outstanding loans, defendant STEPHEN JEMAL and I.M. emailed and caused to be emailed, from izzy@ssjdevelopment.com, to E.C. at Republic, fraudulent Southwest statements reflecting a total balance of \$59,974,780 as of December 31,

2008, when, in fact, defendant JEMAL's actual stock portfolio balance at Southwest was approximately \$79,556 on December 31, 2008.

10. Between or about December 14, 2005 and on or about April 20, 2010, defendant STEPHEN JEMAL defaulted on Loan 3, leaving a remaining balance of approximately \$1,700,000.

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

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violation of Title 18, United States Code, Section 1344, set forth in this indictment, defendant

STEPHEN JEMAL

shall forfeit to the United States of America any property that constitutes, or is derived from, proceeds obtained directly or indirectly from the commission of such violations including, but not limited to, the sum of \$5,976,000.

2. If any of the property subject to forfeiture, 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;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property subject to forfeiture.

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

A TRUE BILL:

GRAND JURY FOREPERSON

**ZANE DAVID MEMEGER
UNITED STATES ATTORNEY**