UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	Violations: Title 18, United States
v.	)	Code, Sections 1014, 1344, 1957,
	)	and 2; Title 26, United States
ROBERT MICHAEL and	)	Code, Section 7206(1)
ERROLL DAVIS	)	

COUNT ONE

The SPECIAL SEPTEMBER 2012 GRAND JURY charges:

1. At times material to this indictment:

a. Citizens Bank and Trust of Chicago (Citizens Bank) was a financial institution located in Chicago, Illinois, the deposits of which were then insured by the Federal Deposit Insurance Corporation.

b. Defendant ROBERT MICHAEL was a shareholder, chief executive officer, and senior lender at Citizens Bank, the registered agent and member of 300 W. Sibley, LLC, a corporation that owned a building used as a nightclub in Dolton, Illinois, and an owner of Michael Realty and R & G Properties, companies that managed and sold real estate.

c. Erroll Davis was a resident of Chicago, Illinois and the president and sole member of a limited liability corporation named 1665 E. 79th Street, LLC.

d. Individual A was a resident of Chicago, Illinois. Individual A was the owner and president of The Prime Time Group, Inc. and The Regal Theater,

LLC, entities that owned and operated entertainment ventures and commercial real estate.

e. In or about August 2007, Individual A, through her company, The Prime Time Group, Inc., entered into a ten-year lease with defendant MICHAEL's company, 300 W. Sibley, LLC, to rent a nightclub in Dolton, Illinois. Under the terms of the written lease, the rent was $30,000 per month for the first year and a half; $35,000 thereafter, with an increase of 1.5% annually.

f. On or about March 7, 2008, Individual A, through her companies, The Prime Time Group, Inc. and The Regal Theater, LLC, purchased the New Regal Theater property, which included the New Regal Theater, two adjacent parking lots, and a 12-unit apartment building located at 1665 E. 79th Street (the Apartment Building), in Chicago.

g. By November 2008, Individual A and The Prime Time Group, Inc. owed more than $240,000 to MICHAEL's company, 300 W. Sibley, LLC, on the lease for the nightclub in Dolton, Illinois, and approximately $40,000 to MICHAEL's bank, Citizens Bank, on past due mortgage payments for the New Regal Theater Property.

h. Because of its legal lending limit, Citizens Bank was unable to loan additional funds to Individual A.

2. Beginning no later than March 2008 and through in or about November 2008, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT MICHAEL,

defendant, herein, together with Individual A, Erroll Davis, and others known to the grand jury, knowingly devised, intended to devise, and participated in a scheme to defraud Citizens Bank, and to obtain money and other property owned by, and under the custody and control of Citizens Bank, by means of materially false and fraudulent pretenses, representations, and promises, as described below.

3. It was part of the scheme that defendant MICHAEL caused Citizens Bank to loan $2.1 million to Individual A and The Prime Time Group, Inc. for the purchase of the New Regal Theater property. As the loan officer on the transaction, defendant MICHAEL excluded the Apartment Building from the collateral securing the loan in order to evade the bank's legal lending limits and to allow Individual A to obtain subsequent additional financing that would be secured by the Apartment Building.

4. It was further part of the scheme that defendant MICHAEL understood that Citizens Bank was unable to loan additional funds directly to Individual A due to Citizen Bank's legal lending limit. Defendant MICHAEL therefore agreed to cause Citizens Bank to loan approximately $650,000 to Erroll Davis, whom Individual A referred to defendant MICHAEL, for Davis's purchase of the Apartment Building.

5. It was further part of the scheme that defendant MICHAEL understood that the purpose of the Apartment Building transaction was to generate cash for Individual A that was to be used to pay the rent owed to MICHAEL's company, 300 W. Sibley, LLC, and to pay past due mortgage payments and other expenses related to the New Regal Theater Property.

6. It was further part of the scheme that defendant MICHAEL and Individual A prepared and caused to be prepared a real estate contract for the purchase of the Apartment Building, which was fraudulent in that it contained the false statements that the purchase price was $900,000 and that Davis had paid $90,000 in earnest money.

7. It was further part of the scheme that defendant MICHAEL, Individual A, and Davis prepared and caused to be prepared a mortgage loan application for Davis that contained a variety of false statements designed to induce Citizens Bank to issue a mortgage to Davis, namely, false statements regarding Davis's assets, rental income, and interest income.

8. It was further part of the scheme that defendant MICHAEL and Individual A created and caused to be created false leases to support the false representation that Davis would have a sufficient cash flow to make the monthly mortgage payments for the Apartment Building.

9. It was further part of the scheme that defendant MICHAEL, Individual A, and Davis submitted and caused to be submitted the false real estate contract, false loan application, and false leases to Citizens Bank, well knowing the

false statements in these documents were material to the Citizen Bank's decision to issue a mortgage loan to Davis and that they created the false appearance of an arms-length transaction.

10. It was further part of the scheme that defendant MICHAEL changed the transaction from a purchase of real estate to a refinance, which made the transaction tax exempt and which allowed the proceeds from the transaction to be issued to 1665 E. 79th Street, LLC, the purchaser of the Apartment Building, rather than to Individual A or The Prime Time Group, Inc., the seller of the Apartment Building.

11. It was further part of the scheme that defendant MICHAEL approved a wire transfer to fund the transaction in the amount of approximately $639,000.

12. It was further part of the scheme that defendant MICHAEL caused the title company to issue a check to 1665 E. 79th Street, LLC in the amount of $634,046.99, which represented the proceeds from the transaction.

13. It was further part of the scheme that defendant MICHAEL, Individual A, and Davis caused the title company check that was payable to 1665 E. 79th Street, LLC to be deposited into the client trust account of Attorney A, who represented Individual A in the closing on the Apartment Building transaction.

14. It was further part of the scheme that defendant MICHAEL and Individual A caused Attorney A to issue checks to, among other entities, Michael Realty, Citizens Bank, Individual A, the Regal Theater, and Davis from Attorney

A's client trust account, which checks represented the proceeds from Davis's purchase of the Apartment Building.

15. It was further part of the scheme that defendant MICHAEL and Individual A fraudulently obtained a total of approximately $634,000 in funds, well knowing that the mortgage loan funding Davis's purchase of the Apartment Building was the result of false statements to Citizens Bank.

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

17. On or about November 14, 2008, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT MICHAEL,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused Citizens Bank to fund a mortgage loan in the amount of $650,000 for the purchase of 1665 E. 79th Street, Chicago, Illinois;

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

COUNT TWO

The SPECIAL SEPTEMBER 2012 GRAND JURY further charges:

1. The allegations in paragraph 1 of Count 1 are incorporated here.

2. On or about November 11, 2008, at Chicago, in the Northern District of Illinois, Eastern Division,

ROBERT MICHAEL,

defendant herein, for the purpose of influencing the action of Citizens Bank and Trust of Chicago, a bank the deposits of which were then insured by the Federal Deposit Insurance Corporation, upon a loan to Erroll Davis, knowingly made a false statement and report of a fact in that defendant submitted and caused to be submitted a Loan Approval report to Citizens Bank, which report he knew to be false and fictitious, in that it falsely overstated the purchase price of the real estate and the assets held by Erroll Davis;

In violation of Title 18, United States Code, Sections 1014 and 2.

COUNT THREE

The SPECIAL SEPTEMBER 2012 GRAND JURY further charges:

1. The allegations in paragraph 1 of Count 1 are incorporated here.

2. On or about November 18, 2008, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT MICHAEL,

defendant herein, knowingly engaged in a monetary transaction in or affecting interstate or foreign commerce in criminally derived property of a value greater than $10,000, namely, causing the deposit of $200,000 in the form of a check payable to Michael Realty and drawn from the client trust account of Attorney A into various bank accounts at Citizens Bank and Trust of Chicago, including accounts held by R & G Properties and Michael Realty, LLC, said funds having been derived from a specified unlawful activity, namely bank fraud;

In violation of Title 18, United States Code, Sections 1957 and 2.

COUNT FOUR

The SPECIAL SEPTEMBER 2012 GRAND JURY further charges:

1. Paragraphs 1(c), 1(d), and 1(f) of Count 1 are incorporated here.

2. On or about February 9, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ERROLL DAVIS,

defendant herein, who during calendar year 2008 was a resident of Chicago, Illinois, willfully made and subscribed, and caused to be made and subscribed, a United States Individual Income Tax Return (IRS Form 1040 and accompanying schedules) for the calendar year 2008, on behalf of himself, which return was verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which return he did not believe to be true and correct as to every material matter, in that it falsely stated

(1) at line 17 that the losses associated with his real estate were $13,414, whereas DAVIS well knew that the amount set forth on line 17 was false and fraudulent because that amount falsely included $8,306 in expenses and losses paid by Individual A for the apartment building located at 1665 E. 79th Street, Chicago, Illinois;

(2) at line 22 of said return the amount of DAVIS's total income was $109,759, whereas DAVIS well knew that the amount set forth on line 22 was false and fraudulent because DAVIS's total income actually exceeded that amount, since the return failed to include additional income of approximately $30,000, which

funds DAVIS obtained in 2008 from Individual A and which were used to benefit DAVIS, and it overstated DAVIS's rental real estate losses; and

(3) at line 40 that the itemized deductions from his Schedule A was $38,499, whereas DAVIS well knew that the amount set forth on line 40 was false and fraudulent because that amount falsely included $15,035 in mortgage interest paid by Individual A for the apartment building located at 1665 E. 79th Street, Chicago, Illinois;

In violation of Title 26, United States Code, Section 7206(1).

FORFEITURE ALLEGATION

The SPECIAL SEPTEMBER 2012 GRAND JURY further alleges:

1. The allegations in Count One are incorporated here for the purpose of alleging that certain property is subject to forfeiture, pursuant to Tile 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

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

ROBERT MICHAEL,

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 he may have in property, real and personal, which constitutes and is derived from proceeds traceable to the charged offenses.

3. The interests of the defendant subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include, but are not limited to, approximately $634,000.

4. If any of the property subject to forfeiture and described above, as a result of any act or omission of the 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 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