

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
WESTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	No. 10 CR 50050
vs.	)	
	)	Violations: Title 18, United States Code,
KENNETH R. DISMUKE	)	Sections 152(3), 157(2), 1014, 1341, and 1344
	)	
	)	Judge Frederick J. Kapala

SUPERSEDING INDICTMENT

**COUNT ONE**

The MAY 2009 GRAND JURY charges:

1. At times material herein:

(a) Defendant KENNETH R. DISMUKE was the Executive Director of the Fountain of Life Improving the Community Academy (the "Academy");

(b) Defendant KENNETH R. DISMUKE was the pastor of The Fountain of Life Church of God in Christ (the "Church");

(c) Rockford Bank and Trust Company and JPMorgan Chase Bank, N.A., with offices at Rockford, Illinois, were financial institutions whose deposits were insured by the Federal Deposit Insurance Corporation;

2. In or about November and December 2005, at Rockford, Illinois, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, knowingly devised and engaged in a scheme to defraud Rockford Bank and Trust Company and JPMorgan Chase Bank, N.A.

3. It was the object of the scheme to defraud that defendant KENNETH R. DISMUKE

fraudulently obtained a \$50,000 loan from Rockford Bank and Trust Company to the Academy in order to use the \$50,000 as collateral to fraudulently obtain a \$50,000 loan from JPMorgan Chase Bank, N.A.

4. It was a further part of the scheme that on or about December 2, 2005, defendant KENNETH R. DISMUKE sought a \$50,000 loan for the Academy from Rockford Bank and Trust Company and falsely represented that the loan's purpose was to pay ordinary operating expenses of the Academy.

5. It was a further part of the scheme that on or about December 2, 2005, defendant KENNETH R. DISMUKE did not use the \$50,000 loan proceeds from Rockford Bank and Trust Company for Academy operating expenses, but rather deposited the loan proceeds into a Certificate of Deposit account at JPMorgan Chase Bank, N.A.

6. It was a further part of the scheme that on or about December 7, 2005, defendant KENNETH R. DISMUKE used the Certificate of Deposit account to induce JPMorgan Chase Bank, N.A. to make a \$50,000 loan to the Church, and falsely represented to JPMorgan Chase Bank, N.A. that the source money deposited into the Certificate of Deposit account, was an Illinois state grant.

7. On or about December 2, 2005, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, knowingly executed and attempted to execute the above described scheme by obtaining a \$50,000 loan from Rockford Bank and Trust Company to the Academy;

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

**COUNT TWO**

The MAY 2009 GRAND JURY further charges:

1. Paragraphs 1 through 6 of Count One of this Superseding Indictment are re-alleged and incorporated herein as if fully set forth.

2. On or about December 7, 2005, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, knowingly executed and attempted to execute the above described scheme by obtaining a \$50,000 loan from JPMorgan Chase Bank, N.A. to the Church;

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

**COUNT THREE**

The MAY 2009 GRAND JURY further charges:

1. Paragraph 1 of Count One of this Superseding Indictment is re-alleged and incorporated herein as if fully set forth.

2. On or about December 2, 2005, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, for the purpose of influencing the action of Rockford Bank and Trust upon a loan to the Academy, knowingly made a false statement in that defendant KENNETH R. DISMUKE stated that the proceeds of the loan would be used for operating expenses of the Academy, when in truth and fact, as the defendant well knew, he intended to use the loan proceeds as collateral for a loan by JPMorgan Chase Bank, N.A. to the Church;

In violation of Title 18, United States Code, Section 1014.

**COUNT FOUR**

The MAY 2009 GRAND JURY further charges:

1. Paragraph 1 of Count One of this Superseding Indictment is re-alleged and incorporated herein as if fully set forth.

2. On or about December 7, 2005, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, for the purpose of influencing the action of JPMorgan Chase Bank, N.A. upon a loan to the Church, knowingly made a false statement in that defendant KENNETH R. DISMUKE stated that the source of the funds in the Certificate of Deposit were the proceeds of a State of Illinois grant, when in truth and fact, as the defendant well knew, the source of the funds deposited into the Certificate of Deposit was the loan to the Academy by Rockford Bank and Trust;

In violation of Title 18, United States Code, Section 1014.

## COUNT FIVE

The MAY 2009 GRAND JURY further charges:

1. At times material to this Superseding Indictment:
  - a. Paragraphs 1(a) and 1(b) of Count One of this Superseding Indictment are re-alleged and incorporated herein as if fully set forth.
  - b. Chapter 7 of the United States Bankruptcy Code (Title 11 of the United States Code) provided persons (debtors) with an opportunity to obtain a fresh financial start through the elimination of their debts by paying the debtor's creditors a pro rata share of the debtor's property.
  - c. To start a Chapter 7 bankruptcy, the Bankruptcy Code required that a debtor file a petition with the Bankruptcy Court that had been signed by the debtor under penalty of perjury. The debtor was also required to sign under penalty of perjury and file supporting schedules and a statement of financial affairs.
  - d. Upon the filing of a chapter 7 bankruptcy petition, a Bankruptcy Trustee was appointed to administer the bankruptcy case. The trustee's duties included liquidating the debtor's property, if any, and distributing a pro rata share of the proceeds from the property to the debtor's creditors.
  - e. On February 9, 2007, defendant KENNETH R. DISMUKE filed a Chapter 7 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Illinois, Western Division (*In Re: Kenneth R. Dismuke*, case number 07 B 70277).
3. Beginning in or around February 2007 and continuing to in or around May 2007, at Rockford, Illinois, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, devised and intended to devise a scheme and artifice to defraud KENNETH R. DISMUKE'S creditors, and their representative, the Bankruptcy Trustee (hereafter collectively referred to as the "Trustee"), by making a false and fraudulent representation concerning and in relation to his bankruptcy case under Title 11.

4. It was the object of the scheme to defraud that the defendant would deceive his creditors and the Bankruptcy Trustee about a debt owed to defendant KENNETH R. DISMUKE by the Academy so that the defendant, not the Bankruptcy Trustee would receive partial repayment of the debt from the Academy.

5. It was a further part of the scheme to defraud that defendant KENNETH R. DISMUKE prepared and caused to be prepared and filed in his bankruptcy case a Statement of Financial Affairs, in which the defendant falsely stated in response to question number 18(a) that he was not an officer, director, partner, or managing executive of a corporation within six years immediately preceding the commencement of his bankruptcy case, when in truth and in fact, as the defendant then well knew, he was an officer, director, and managing executive of the Academy and the Association.

6. It was a part of the scheme to defraud that defendant KENNETH R. DISMUKE prepared and caused to be prepared and filed in his bankruptcy case a Statement of Financial Affairs, in which the defendant falsely stated in response to question number 14 that he did not hold or control any property owned by another person, when in truth and in fact, as the defendant then well knew, he controlled the bank accounts of the Academy.

7. It was part of the scheme to defraud that defendant KENNETH R. DISMUKE

prepared and caused to be prepared and filed in his bankruptcy case, a Schedule B that falsely stated in response to question number 16 about receivables: “[t]he Fountain of Life Church of God in Christ (owes in unpaid services/loans/etc. Believe church is insolvent.”, and listed the value of the receivable as “-0-”, when in truth and fact, as the defendant well knew, the Academy also owed him money and the Academy had the Certificate of Deposit account from which he intended to re-pay himself, at least partially.

8. It was a further part of the scheme to defraud that during a meeting of creditors on March 29, 2007, the defendant KENNETH R. DISMUKE while under oath and with his attorney present, represented to the Bankruptcy Trustee that when he signed his schedules the information in the schedules was true and correct to the best of his knowledge, that there were no additions or corrections needed at that time to make the schedules more accurate, and that he did not expect to receive any income within the next six months, other than income earned through his employment, when in truth and fact, as the defendant then well knew, his answer to question number 16 on Schedule B was false and misleading because it did not include the debt owed to him by the Academy and because he intended to receive income from the Academy in partial repayment of the debt it owed to him.

9. It was a further part of the scheme to defraud that three days after the Bankruptcy Court’s May 15, 2007 order that discharged him from liability for his debts, but while his bankruptcy case was still open, the defendant withdrew or caused to be withdrawn the \$50,000 proceeds of the JPMorgan Chase Bank Certificate of Deposit account that had originally been funded with the proceeds of the Rockford Bank and Trust loan, and subsequently deposited approximately \$10,500 into a personal account at National City Bank, and subsequently withdrew



the money from that account.

10. On or about March 29, 2007, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE

defendant herein, for the purpose of executing and concealing the above-described scheme and artifice, and attempting to do so, filed and caused to be filed a “Schedule B-Personal Property” in relation to a proceeding under Title 11, specifically, *In Re: KENNETH R. DISMUKE*, case number 07 B 70277;

In violation of Title 18, United States Code, Section 157(2).

## COUNT SIX

The MAY 2009 GRAND JURY further charges:

1. Subparagraphs a and b of Paragraph 1 and Paragraph 2 of Count One of this Superseding Indictment are re-alleged and incorporated herein as if fully set forth.

2. On or about February 9, 2007, at Rockford, in the Northern District of Illinois, Western Division, and elsewhere,

KENNETH R. DISMUKE,

defendant herein, knowingly and fraudulently made a material false declaration, verification, and statement under penalty of perjury, as permitted under section 1746 of Title 28, in and in relation to a case under Title 11, specifically *In re: Kenneth R. Dismuke*, case number 07 B 70277, in that:

a. In response to question number 14 on his Statement of Financial Affairs which required him to “list all property owned by another person that the debtor holds or controls,” defendant KENNETH R. DISMUKE answered “None,” when in truth and in fact, as the defendant then well knew, he controlled a certificate of deposit and bank accounts of the Academy, and bank accounts of the Church;

b. In response to question number 18 on his Statement of Financial Affairs which required him to “list the names, addresses, taxpayer identification numbers, nature of the businesses, and beginning and ending dates of all businesses in which the debtor was an officer, director, partner, or managing executive of a corporation, partner in a partnership, sole proprietor, or was self-employed in a trade, profession or other activity either full- or part-time within six years immediately preceding the commencement of this case,” the defendant KENNETH R. DISMUKE answered

“None,” when in truth and in fact, as the defendant then well knew, he was an officer, director, and managing executive of the Academy and of the Community Properties Improvement Association;

In violation of Title 18, United States Code, Section 152(3).

## COUNT SEVEN

The MAY 2009 GRAND JURY further charges:

1. Subparagraphs a and b of Paragraph 1 and Paragraph 2 of Count One of this Superseding Indictment are re-alleged and incorporated herein as if fully set forth.

2. On or about February 9, 2007, at Rockford, in the Northern District of Illinois, Western Division, and elsewhere,

KENNETH R. DISMUKE,

defendant herein, knowingly and fraudulently made a material false declaration, verification, and statement under penalty of perjury, as permitted under section 1746 of Title 28, in and in relation to a case under Title 11, specifically *In re: Kenneth R. Dismuke*, case number 07 B 70277, in that defendant KENNETH R. DISMUKE described an account receivable as “[t]he Fountain of Life Church of God in Christ (owes in unpaid services/loans/etc. Believe church is insolvent.”, and listed the value of the receivable as “-0-”, in response to the requirement of Schedule B, number 16 that he list the description and value of accounts receivable owed to him, when in truth and fact, as the defendant then well knew, his answer was false because it did not include the debt owed to him by the Academy, and further because the receivable’s value was not -0-.

In violation of Title 18, United States Code, Section 152(3).

## COUNT EIGHT

The MAY 2009 GRAND JURY further charges:

1. At times material herein:

(a) Defendant KENNETH R. DISMUKE was the Executive Director of the Fountain of Life Improving the Community Academy (the "Academy");

(b) Defendant KENNETH R. DISMUKE was the pastor of The Fountain of Life Church of God in Christ (the "Church");

(c) The Department of Commerce & Economic Opportunity (DCEO) was an Illinois state agency that administers economic and workforce development programs, services and initiatives designed to create and retain high quality jobs and build strong communities. These functions of DCEO include the review and approval of various types of grant requests, and administration of grant funds that are disbursed;

2. From in or about November 2006 through in or about October 2007, at Rockford, Illinois, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, devised, intended to devise and participated in a scheme and artifice to defraud the DCEO and to obtain money and property by means of materially false and fraudulent pretenses, promises and representations and material omissions, which fraudulent scheme is more fully described in the following paragraphs.

3. It was the object of the scheme to defraud that defendant KENNETH R. DISMUKE used and caused to be used tens of thousands of dollars of funds from a DCEO grant to the Academy, for purposes unrelated to the DCEO grant, including thousands of dollars for his personal benefit.

4. It was a part of the scheme to defraud that defendant KENNETH R. DISMUKE made an application and caused an application for a grant to be made by the Academy to DCEO for the purpose of making improvements to the Academy's building. On or about October 5, 2006, DCEO agreed to issue a grant to the Academy in the amount of \$60,000 which was deposited into an Academy bank account.

5. It was a further part of the scheme to defraud that defendant KENNETH R. DISMUKE created and used, and caused to be created and used, false, fraudulent, and fictitious "bids," purportedly representing bids by other parties for doing the improvements to the Academy building.

6. It was a further part of the scheme to defraud that defendant KENNETH R. DISMUKE used and caused to be used, funds from the DCEO grant for purposes such as Academy loan payments, other Academy expenses, Church loan payments, other Church debt payments, and payments to the defendant and one of his family members, none of which were for improvements to the Academy's building or authorized for expenditure of the grant funds.

7. It was a further part of the scheme to defraud that defendant KENNETH R. DISMUKE prepared and signed, and caused to be prepared and signed, documents required by the DCEO and referred to as a "close out" package, which documents falsely stated that all grant funds had been used for approved costs.

8. On or about December 2, 2005, at Rockford, in the Northern District of Illinois, Western Division,

KENNETH R. DISMUKE,

defendant herein, for the purpose of executing the scheme and attempting to do so, knowingly caused to be delivered by United States mail, according to the direction thereon to Rockford,

Illinois, an envelope addressed to to the Academy in Rockford, Illinois, which contained “Final Report” documents that the Academy was required to provide to DCEO regarding the expenditure of the grant funds so that the Academy could avoid any DCEO sanctions such as being required to return the grant funds;

In violation of Title 18, United States Code, Section 1341.

A TRUE BILL:

---

FOREPERSON

---

UNITED STATES ATTORNEY