

BEFORE THE HEARING BOARD
OF THE
ILLINOIS ATTORNEY REGISTRATION
AND
DISCIPLINARY COMMISSION

In the Matter of:

Carlo P. Palladinetti,

Attorney-Respondent

No. 6189764.

Commission No. 2020PR00083

COMPLAINT

Jerome Larkin, Administrator of the Attorney Registration and Disciplinary Commission, by his attorney, Patrick A. Bernard, pursuant to Supreme Court Rule 761(d), complains of Respondent, Carlo P. Palladinetti, who was licensed to practice law in Illinois on May 9, 1985, and alleges that Respondent has engaged in the following conduct which subjects Respondent to discipline pursuant to Supreme Court Rule 770:

(Conviction for Bank Fraud)

A. *Procedural History of Respondent's Criminal Case*

1. On September 26, 2013, a federal grand jury charged Respondent and two other co-defendants in a 16-count criminal indictment, charging Respondent with bank fraud and making false statements in a loan application. The indictment was filed in the United States District Court for the Northern District of Illinois, captioned *United States of America v. Carl P. Palladinetti*, case number 13 CR 00771, and assigned to Judge Virginia M. Kendall ("Judge Kendall").

FILED
12/15/2020 11:48 AM
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2. On March 1, 2016, following a one-day bench trial, Judge Kendall found Respondent guilty of one count (Count 1) of bank fraud in violation of Title 18, United States Code, Section 1344. The remaining counts were dismissed on the motion of the United States.

3. From March 1, 2016 through September 10, 2020, Respondent's sentencing was delayed by various motions and the withdrawal of Respondent's defense counsel.

4. On September 10, 2020, Judge Kendall sentenced Respondent to 96 months of incarceration in the United States Bureau of Prisons, followed by 24 months of supervised release, and required Respondent to pay \$10,032,200.00 in restitution.

B. *Summary of the Criminal Charges in Count I of the Indictment*

5. Beginning no later than May 2005, and continuing until at least March 2008, Respondent knowingly participated in a scheme to defraud a financial institution. The scheme involved obtaining money and funds owned by and under the control of a financial institution, by means of materially false and fraudulent pretenses, representations, and promises. (Count 1, ¶ 2 of the indictment)

6. Specifically, the indictment charged that Respondent worked with individuals who owned and were seeking to sell individual units within multi-unit buildings to find and fraudulently qualify buyers for mortgage loans to purchase the units, and as part of the scheme qualified buyers for mortgage loans to purchase the units. Additionally, as part of the scheme Respondent caused buyers to fraudulently obtain over seven mortgage loans totaling at least \$1.5 million. (*Id.*, at ¶ 3)

7. In furtherance of the scheme, the indictment charged that Respondent made and caused to be made materially false representations in documents submitted to lenders, including loan applications, real estate contracts, and HUD-1 settlement statements, concerning, among

other things, the sales price of the properties and the buyers' income, employment, financial condition, they payment and source of earnest money and the payment and source of a down payment, and intention to occupy the property. (Count 1, ¶ 4 of the indictment)

8. Respondent then agreed to act as the seller's attorney for properties owned by other defendants and, in his capacity as the seller's attorney, prepared and submitted, and caused to be prepared and submitted, to lenders real estate sales contracts that Respondent knew contained false and fraudulent information, including inflated sales prices of the properties being sold and false information about earnest money payments the buyers had purportedly made. (*Id.*, at ¶ 6)

9. Respondent caused to be prepared and submitted to lenders HUD-1 settlement statements Respondent knew contained false and fraudulent information, including false and fraudulent information about the true source of the buyers' down payments and about payments provided by the buyers at closing to fund the property purchases. (*Id.*, at ¶ 8)

10. Respondent provided and caused others to provide, money to buyers knowing that money would be falsely represented to lenders as the buyers' down payments. (*Id.*, at ¶ 10)

11. Respondent received payment at or near the time of closing for certain real estate transactions in which entities affiliated with other defendants were the sellers, knowing that the buyers in the transactions were qualified for mortgage loans based on false and fraudulent information submitted to lenders, including false information about the existence and source of buyers' down payments. (*Id.*, at ¶ 14)

12. Respondent caused lenders to send or wire funds to a title company, which funds Respondent knew represented the proceeds of mortgage loans obtained from lenders based on fraudulent information, and caused a portion of the funds to be disbursed to other defendants

either directly or through entities controlled by other defendants. (Count 1, ¶ 15 of the indictment)

13. Respondent misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purpose of those acts.

14. As a result of the order of conviction described above, Respondent has engaged in the following misconduct:

- a. committing criminal acts that reflect adversely on his honesty, trustworthiness or fitness as a lawyer in other respects, by conduct including committing and being convicted of the offenses of bank fraud, in violation of Title 18 U.S.C. Section 1344, in violation of Rule 8.4(b) of the Illinois Rules of Professional Conduct (2010); and
- b. engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation, by conduct including engaging in bank fraud, in violation of Title 18 U.S.C. Sections 1344, in violation of Rule 8.4(c) of the Illinois Rules of Professional Conduct (2010).

WHEREFORE, the Administrator respectfully requests that this matter be assigned to a panel of the Hearing Board of the Commission, that a hearing be held pursuant to Rule 761(d), and that the Hearing Panel make findings of fact, conclusions of fact and law, and a recommendation for such discipline as is warranted.

Respectfully Submitted,

Jerome Larkin, Administrator
Attorney Registration and
Disciplinary Commission

By: /s/ Patrick A. Bernard
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