

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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**IN THE MATTER OF: KEN DACHMAN; AND  
CENTRAL SLEEP DIAGNOSTICS, LLC**

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**File No. C1000390**

**TEMPORARY ORDER OF PROHIBITION**

**TO THE RESPONDENTS:** CENTRAL SLEEP DIAGNOSTICS, LLC  
c/o Kenneth Dachman  
60 Revere Drive, Ste 400  
Northbrook, Illinois 60062

KENNETH "Ken" DACHMAN  
1100 W. Keswick Lane  
Lake Forest, Illinois 60045

On information and belief, I, Jesse White, Secretary of State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

**BACKGROUND FACTS**

1. Central Sleep Diagnostics, LLC ("Respondent CSD" or collectively with Respondent Dachman, "Respondents") is a dissolved Illinois limited liability company. Its last known address is 60 Revere Drive, Ste. 400, Northbrook, Illinois 60062. On December 12, 2010, CSD was involuntarily dissolved by the Illinois Secretary of State. Ken Dachman is listed as its sole member.
2. CSD purported to be in the business of providing diagnostic sleep studies and claimed to have the first sleep diagnostics protocol with a remote platform that received accreditation from the American Academy of Sleep Medicine. As of December 20, 2010 its accreditation by the American Academy of Sleep Diagnostics is inactive. CSD claimed to have locations in Northbrook, Illinois, Harrisburg, Pennsylvania, Phoenix and Tucson, Arizona. Additionally, the firm claimed to be planning to expand to

Temporary Order of Prohibition

- 2 -

Kansas City and St Louis, Missouri, Nashville, Tennessee, Atlanta, Georgia and Charlotte, North Carolina.

3. Kenneth "Ken" Dachman ("Respondent Dachman" or collectively with Respondent CSD, "Respondents") was the Manager and Chairman of Respondent CSD at all relevant times herein. His last known address is 1100 W. Keswick Lane, Lake Forest, Illinois 60045.
4. On the CSD web site at truesleepdx.com and in offering documents to investors CSD and Respondent Dachman represented that he had earned a Ph.D and had graduated from Northwestern University. In fact, Respondent Dachman had never attended or graduated from Northwestern University and had no undergraduate or master's degree from any accredited institution.
5. Windy City Ink LLC ("Windy City") was an Illinois limited liability corporation. Its last known address was 166 W. Division Street, Chicago, Illinois 60610. Respondent Dachman was the sole manager of Windy City at all relevant times herein. Windy City is a tattoo parlor operated by Respondent Dachman's son-in-law, Gary Parisi.
6. Key Partners LLC ("Key Partners") is an Illinois limited liability corporation. Its last known address 444 N. Michigan, Ste 1200, Chicago, Illinois 60611. Respondent Dachman is a manager of Key Partners at all relevant times herein.
7. Advanced Sleep Devices LLC ("Advanced Sleep") is an Illinois limited liability corporation. Its last known address is 60 Revere Drive, Ste. 400, Northbrook, Illinois 60062. Respondent Dachman is a manager of Advance Sleep at all relevant times herein.
8. That on March 20, 2000, the Secretary of State entered a order against Respondent Dachman as an officer of Home Financing Solutions permanently prohibiting Respondent Dachman from engaging in the business of loan brokering in the State of Illinois or to residents of the State of Illinois, pursuant to Section 15-55(e) of the Illinois Loan Brokers Act of 1995, in case file C0000082. Dachman and CSD failed to disclose to investors in CSD that Dachman, the managing member and chairman of CSD, was previously subject to an action by the Illinois Securities Department finding that he had violated the Illinois Loan Brokers Act.
9. Between June 2008 and present, Respondent Dachman on behalf of Respondent CSD offered and sold to investors numerous classes of stock, including classes A, B and C.

## Temporary Order of Prohibition

- 3 -

10. Between June 2008 and present, Respondent Dachman and CSD issued notes that promised investors 5-26 percent rates of return due within three years of the investment, with a six month to one year convertible option ("Notes" or "Note").
11. Between June 2008 and present, Respondent Dachman on behalf of Respondent CSD sold Notes and/or shares of stock to over seventy investors to and/or from the State of Illinois and raised approximately \$3 million dollars from these investors.
12. According to Respondent CSD's Executive Summary, investors' funds were to be used for the stated purpose of purchasing of testing machines and for operational costs associated with national expansion of CSD. Instead, investors' funds were used to pay back previous investors, for Respondent Dachman's personal expenses and for unrelated business ventures.
13. Between January 2009 and October 2010, approximately \$2,744,851.00 of investors' funds was deposited into multiple business bank accounts of Respondents, including Key Partners LLC, Central Sleep Diagnostics LLC, Central Sleep Diagnostics Florida LLC, and Advanced Sleep Devices LLC.
14. In a deposition taken on September 29, 2010, Respondent Dachman testified that he used Key Partners account for corporate and personal expenses.
15. Between January 2009 and December 2009, Respondents transferred approximately \$91,730.00 to a bank account of Windy City Ink LLC, a tattoo parlor operated by Respondent Dachman's son-in-law, Gary Parisi.
16. In a deposition taken on September 29, 2010, Respondent Dachman testified that he used investors' funds from Respondent CSD's bank account to purchase a Range Rover.
17. Between January 2009 and August 2010, Respondent Dachman transferred at least \$795,850.00 to personal accounts of Respondent Ken Dachman and his wife Katherine Dachman.
18. Despite claims of projected revenue for 2010 of almost \$2 million, the majority of revenue received by Respondent CSD came from investors and not from revenue generated in the operation of the business.
19. Respondent CSD's facility in Northbrook, Illinois was accredited by the American Academy of Sleep Medicine in January 2010 and was designated inactive on December 20, 2010.

## Temporary Order of Prohibition

- 4 -

20. As part of the accreditation requirements, Respondent CSD was required to employ and retain the position of Medical Director by a licensed physician.
21. The Executive Summary and other offering documents provided to investors stated that CSD had a licensed physician as its Medical Director. This first physician worked as the Medical Director from January 2010 to May 2010. This Medical Director left Respondent CSD because the firm that contracted her employment with Respondent CSD was not paid the contractual amount agreed upon by Respondent CSD.
22. From March 2010 through July 2010, a second licensed physician was also the Medical Director for Respondent CSD and also resigned as the Medical Director because the medical group for which he is a part was not paid for his services by Respondent CSD. The unpaid amount owed to the medical group by Respondent CSD for his services is \$50,000. Upon his departure in July 2010, the second physician was not replaced as the Medical Director. Neither of the physicians ever met Respondent Ken Dachman during their respective tenures as Medical Director for Respondent CSD.
23. Neither existing nor prospective investors were told that two Medical Directors of Respondent CSD had left because their employing firms were owed money by Respondent CSD.
24. Additionally, as part of its accreditation with the American Academy of Sleep Medicine (“the Academy”), Respondent CSD is required to notify the Academy of any changes of key personnel, including the Medical Director. The retention of a Medical Director is a key requirement of accreditation by the Academy and the loss of and failure to replace the Medical Director could result in the revocation of accreditation. Respondent CSD, failed to notify current and existing investors that the accreditation of CSD could be revoked by the Academy due to the departure and failure of CSD to retain a new Medical Director.
25. The activities set forth in paragraphs above constitute the offer and sale of Notes and stock, and therefore are securities, as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*
26. Section 12.A of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the “Act”) states that it shall be a violation of the provisions of this Act for any person to “offer or sell any security except in accordance with the provisions of this Act.”

Temporary Order of Prohibition

- 5 -

27. Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
28. Section 12.D of the Act, states that it shall be a violation of the provisions of the Act for any person to “fail to file with the Secretary of State any application, report or document under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
29. Respondents failed to file an application for registration of the above-referenced securities with the Secretary of State and as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
30. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.
31. Section 12.F of the Act states that it shall be a violation of the provisions of the Act for any person to “engage in any transaction, practice, or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.”
32. Section 12.G of the Act, states that it shall be a violation of the provisions of the Act for any person to “obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.”
33. Section 12.I of the Act states that it shall be a violation of the provisions of the Act for any person to “employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.”
34. By virtue of the foregoing, Respondents violated Sections 12.F, G and I of the Act.
35. That Section 11.F.(2) of the Act provides, inter alia, that the Secretary of State may temporarily suspend or prohibit the offer or sale of securities by any person if the Secretary of State in his or her opinion, based upon credible evidence, deems it necessary to prevent an imminent violation of

Temporary Order of Prohibition

- 6 -

the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act.

36. That based upon the foregoing, the Secretary of State deems it necessary, in order to prevent imminent and additional violations of the Act, and to prevent losses to investors as a result of the referenced prior violation of the Act, to enter an order pursuant to the authority granted under Section 11.F of the Act which prohibits the Respondents from offering and/or selling securities in the State of Illinois.
37. That based upon the credible evidence available to the Secretary of State, the entry of this Temporary Order is in the public interest and is consistent with the purposes of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, **Respondents Kenneth "Ken" Dachman and Central Sleep Diagnostics, LLC** are **PROHIBITED** from offering or selling securities in or from this State until the further Order of the Secretary of State.

NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to Tanya Solov, Director, Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonable practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 29<sup>th</sup> day of December 2010.



JESSE WHITE  
Secretary of State  
State of Illinois

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