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U.S. DISTRICT COURT
DISTRICT OF MARYLAND
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U.S. Department of Justice

United States Attorney
District of Maryland

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March 31, 2014

Barry J. Pollack, Esq.
Miller & Chevalier
655 15th Street, NW
Suite 900
Washington, DC 20005-5701

Re: *United States v. Patrick Belzner, et al.*
Criminal No. JKB-12-0103

Dear Mr. Pollack:

This letter, together with the Sealed Supplement, states the terms of the plea agreement that has been offered to the defendant by the United States Attorney's Office for the District of Maryland ("this Office"). If the defendant accepts this offer, please have him execute it in the spaces provided below. If this offer has not been accepted by Thursday, April 3, 2014, it will be deemed withdrawn. The terms of the agreement are as follows:

Offense of Conviction

1. The defendant agrees to plead guilty to Counts 1, 32 and 45 of the Superseding Indictment currently pending against him in which he is charged, respectively, with conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349, wire fraud in violation of 18 U.S.C. § 1343 and evasion of assessed tax payments in violation of 26 U.S.C. § 7201. The defendant admits that he is, in fact, guilty of those offenses and will so advise the Court.

Elements of the Offenses

2. The elements of the offenses to which the defendant has agreed to plead guilty, and which this Office would prove if the case went to trial, are as follows:

Wire Fraud Conspiracy

a. That the defendant and at least one other person entered into an unlawful agreement;

b. That the purpose of the agreement was to execute a scheme and artifice to defraud or to obtain money by means of materially false and fraudulent pretenses, representations and promises through the use of interstate wires, as charged in the Superseding Indictment; and

c. That the defendant knowingly and willfully became a member of the conspiracy.

Wire Fraud

a. That there was a scheme and artifice to defraud or to obtain money by means of materially false and fraudulent pretenses, representations and promises, as charged in the Superseding Indictment;

b. That the defendant knowingly and willfully participated in the scheme or artifice to defraud, with knowledge of its fraudulent nature and with the specific intent to defraud, or that he knowingly and intentionally aided and abetted others in the scheme; and

c. That in the execution of the scheme, the defendant caused the use of interstate wires, as specified in the Superseding Indictment and in the attached Statement of Facts.

Tax Evasion

a. That the defendant engaged in an affirmative act with the intent to evade or defeat the payment of a tax;

b. That there was an additional tax due and owing; and

c. That the defendant acted willfully.

Penalties

3. The maximum sentence provided by statute for each of the offenses to which the defendant is pleading guilty is as follows: for both wire fraud conspiracy and for wire fraud, imprisonment for twenty (20) years, three (3) years supervised release, and a fine of $250,000 or the greater of twice the gross amount of loss or gain caused by the offense; and for tax evasion, imprisonment for five years, three (3) years supervised release, and a fine of $250,000 or the greater of twice the gross amount of loss or gain caused by the offense. In addition, the defendant must pay $300 as a special assessment pursuant to 18 U.S.C. § 3013, which will be due and should be paid at or before the time of sentencing. This Court may also order him to make restitution pursuant to 18 U.S.C. §§ 3663, 3663A, and 3664.[1] If a fine or restitution is imposed, it shall be payable immediately, unless,

[1] Pursuant to 18 U.S.C. § 3612, if the Court imposes a fine in excess of $2,500 that remains unpaid 15 days after it is imposed, the defendant shall be charged interest on that fine, unless the Court modifies the interest payment in accordance with 18 U.S.C. § 3612(f)(3).

pursuant to 18 U.S.C. § 3572(d), the Court orders otherwise. The defendant understands that if he serves a term of imprisonment, is released on supervised release, and then violates the conditions of his supervised release, his supervised release could be revoked -- even on the last day of the term -- and the defendant could be returned to custody to serve another period of incarceration and a new term of supervised release. The defendant understands that the Bureau of Prisons has sole discretion in designating the institution at which the defendant will serve any term of imprisonment imposed.

Waiver of Rights

4. The defendant understands that by entering into this agreement, he surrenders certain rights as outlined below:

(a) If the defendant had persisted in his plea of not guilty, he would have had the right to a speedy jury trial with the close assistance of competent counsel. That trial could be conducted by a judge, without a jury, if the defendant, this Office, and the Court all agreed.

(b) If the defendant elected a jury trial, the jury would be composed of twelve individuals selected from the community. Counsel and the defendant would have the opportunity to challenge prospective jurors who demonstrated bias or who were otherwise unqualified, and would have the opportunity to strike a certain number of jurors peremptorily. All twelve jurors would have to agree unanimously before the defendant could be found guilty of any count. The jury would be instructed that the defendant was presumed to be innocent, and that presumption could be overcome only by proof beyond a reasonable doubt.

(c) If the defendant went to trial, the government would have the burden of proving the defendant guilty beyond a reasonable doubt. The defendant would have the right to confront and cross-examine the government's witnesses. The defendant would not have to present any defense witnesses or evidence whatsoever. If the defendant wanted to call witnesses in his defense, however, he would have the subpoena power of the Court to compel the witnesses to attend.

(d) The defendant would have the right to testify in his own defense if he so chose, and he would have the right to refuse to testify. If he chose not to testify, the Court could instruct the jury that they could not draw any adverse inference from his decision not to testify.

(e) If the defendant were found guilty after a trial, he would have the right to appeal the verdict and the Court's pretrial and trial decisions on the admissibility of evidence to see if any errors were committed which would require a new trial or dismissal of the charges against him. By pleading guilty, the defendant knowingly gives up the right to appeal the verdict and the Court's decisions.

(f) By pleading guilty, the defendant will be giving up all of these rights, except the right, under the limited circumstances set forth in the "Waiver of Appeal" paragraph below, to appeal the sentence. By pleading guilty, the defendant understands that he may have to answer the Court's questions both about the rights he is giving up and about the facts of his case. Any statements

the defendant makes during such a hearing would not be admissible against him during a trial except in a criminal proceeding for perjury or false statement.

(g) If the Court accepts the defendant's plea of guilty, there will be no further trial or proceeding of any kind, and the Court will find him guilty.

(h) By pleading guilty, the defendant will also be giving up certain valuable civil rights and may be subject to deportation or other loss of immigration status. The defendant recognizes that if he is not a citizen of the United States, pleading guilty may have consequences with respect to his immigration status. Under federal law, conviction for a broad range of crimes can lead to adverse immigration consequences, including automatic removal from the United States. Removal and other immigration consequences are the subject of a separate proceeding, however, and the defendant understands that no one, including his attorney or the Court, can predict with certainty the effect of a conviction on immigration status. The defendant nevertheless affirms that he wants to plead guilty regardless of any potential immigration consequences.

Advisory Sentencing Guidelines Apply

5. The defendant understands that the Court will determine a sentencing guidelines range for this case (henceforth the "advisory guidelines range") pursuant to the Sentencing Reform Act of 1984 at 18 U.S.C. §§ 3551-3742 (excepting 18 U.S.C. §§ 3553(b)(1) and 3742(e)) and 28 U.S.C. §§ 991 through 998. The defendant further understands that the Court will impose a sentence pursuant to the Sentencing Reform Act, as excised, and must take into account the advisory guidelines range in establishing a reasonable sentence.

Factual and Advisory Guidelines Stipulation

6. This Office and the defendant understand, agree and stipulate to the Statement of Facts set forth in Attachment A hereto, and to the following applicable sentencing guidelines:

> Pursuant to U.S.S.G. §3D1.2(d), the applicable guideline is U.S.S.G. §2B1.1, with a base offense level of seven (7) for wire fraud conspiracy and wire fraud. U.S.S.G. § 2B1.1(a). As set forth below, see ¶ 8(a), the parties disagree as to whether the amount of the loss is over or just under $20 million. Accordingly, depending on how that disagreement is resolved, either twenty (20) or twenty-two (22) levels will be added based upon the amount of the loss. U.S.S.G. § 2B1.1(b)(1)(K) & (L). The offense level is further increased by two (2), because the offense involved ten or more victims. U.S.S.G. § 2B1.1(b)(2)(A). An additional four (4) levels are added due to the defendant's role as the organizer and leader of five or more participants in the criminal activity. U.S.S.G. § 3B1.1(a). The offense level, prior to any adjustment for acceptance of responsibility, will therefore be either a thirty-three (33) or a thirty-five (35). U.S.S.G. § 3D1.3(b).
>
> With respect to the offense of evading assessment of income tax, the base offense level under U.S.S.G. § 2T4.1(J) is twenty-four (24). An additional two (2) levels are added pursuant to U.S.S.G. § 2T1.1(b)(1) because the defendant failed to report or to correctly

identify the source of income exceeding $10,000 in any year from criminal activity. Another two (2) levels are added because the offense involved sophisticated means. U.S.S.G. § 2T1.1(b)(2). Thus, the adjusted offense level for the tax offense is a level twenty-eight (28), before applying any reductions.

The tax offense does not group with the wire fraud offenses under U.S.S.G. § 3D1.2. Under § 3D1.4(c), because the offense level of 28 for the tax offense will be either five (5) or seven (7) levels below that for the fraud offenses (which will be either a level 33 or a level 35), one (1) level is added to the combined offense level. U.S.S.G. § 3D1.1(b). **The adjusted offense level, prior to any reduction for acceptance of responsibility, will therefore be either a thirty-four (34) or a thirty-six (36).**

This Office does not oppose a two (2) level reduction in the defendant's adjusted offense level, based upon the defendant's apparent prompt recognition and affirmative acceptance of personal responsibility for his criminal conduct. This Office agrees to make a motion pursuant to U.S.S.G. § 3E1.1(b) for an additional one-level decrease in recognition of the defendant's timely notification of his intention to plead guilty. This Office may oppose *any* adjustment for acceptance of responsibility if the defendant (a) fails to admit each and every item in the factual stipulation; (b) denies involvement in the offense; (c) gives conflicting statements about his involvement in the offense; (d) is untruthful with the Court, this Office, or the United States Probation Office; (e) obstructs or attempts to obstruct justice prior to sentencing; (f) engages in any criminal conduct between the date of this agreement and the date of sentencing; or (g) attempts to withdraw his plea of guilty. **After adjustment for acceptance of responsibility, therefore, the final adjusted offense level will therefore be either a thirty-one (31) or a thirty-three (33).**

7. The defendant understands that there is no agreement as to his criminal history or criminal history category, and that his criminal history could alter his offense level if he is a career offender or if the instant offense was a part of a pattern of criminal conduct from which he derived a substantial portion of his income.

Guideline Factors Not Stipulated

8. As noted above, the parties disagree with regard to whether the amount of the loss for purposes of U.S.S.G. § 2B1.1(b)(1) is over or under $20 million. The defense maintains that the amount of the loss is $19,805,780, reflecting the net losses suffered by the victims identified in the superseding indictment after accounting for any monies paid to them by the defendant over the course of the scheme.

The government maintains that the amount of the loss from the escrow account fraud scheme for guidelines calculation purposes is $22,735,780, because the $2,930,000 in payments that the defendant made to various victims during the course of the scheme all consisted of "extension" payments that the defendant made in order to receive the use of their funds for a longer term than was originally agreed upon, rather than repayments, and therefore did not reduce the amount of the principal and interest that each victim was owed. Thus, these payments were necessary for the continuation of the

scheme, as set forth in Count One, ¶ 24(i) of the superseding indictment.

The government will also contend that treating the amount of the loss arising from the escrow account transactions as less than $20 million understates the seriousness of the conduct, because the "extension fees" constituted "late fees" or "penalties," and in addition, there was an "agreed-upon return or rates of returns" for every one of these transactions. The existence of factors such as these is cited in Application Note 20(A)(iii) to § 2B1.1 as supporting an upward departure based on the loss amount understating the seriousness of the crime.

In addition, the government maintains that the additional funds stolen by the defendant from other persons to whom he gave promissory notes over the years (hereafter "the promissory note lenders") constitute "relevant conduct" under 1B1.3(a)(2), and that these additional losses raise the amount of the loss to well over $20 million.

9. The defendant reserves the right to argue at sentencing that his criminal history category overstates the seriousness of his prior criminal record, and that the Court should depart downward on that basis. If the defendant's criminal history category is found by the Court to be less than a Category IV, the government likewise reserves the right to argue that the seriousness of the defendant's past criminal history is under-represented by the standard methods of calculation, and should be a Category IV.

10. This Office and the defendant agree that with respect to the calculation of the advisory guidelines range, no other offense characteristics, sentencing guidelines factors, potential departures or adjustments set forth in the United States Sentencing Guidelines will be raised or are in dispute. Either party will be free to argue for a variance sentence under 18 U.S.C. § 3553(a), but must notify the Court, the United States Probation Officer and this Office, in writing, at least fourteen days in advance of the sentencing of the facts or issues the party intends to raise in connection with any such argument. The parties agree that a failure to provide such notice constitutes a waiver of the right to argue for a sentence outside of the final advisory guideline range.

Obligations of the United States Attorney's Office

11. At the time of sentencing, this Office will recommend any sentence that it deems appropriate within the final guideline range that the Court finds to be applicable at sentencing. This Office further will recommend full restitution in the amount of the actual loss caused by the offenses.

12. The parties reserve the right to bring to the Court's attention at the time of sentencing, and the Court will be entitled to consider, all relevant information concerning the defendant's background, character and conduct, including but not limited to conduct that is the subject of counts that the government has agreed to dismiss at sentencing as well as the defendant's fraudulent conduct relating to the promissory note lenders, as referenced in Attachment A.

Forfeiture

13. The defendant understands that the Court will, upon acceptance of his guilty plea, enter an order of forfeiture as part of his sentence, and that the order will include assets directly traceable to his offense, substitute assets and/or a money judgment equal to the value of the property subject to forfeiture. Specifically, as a consequence of the defendant's plea of guilty to Count 1, charging a violation of 18 U.S.C. § 1349, the Court will order the forfeiture of all proceeds obtained or retained as a result of the offense, pursuant to § 982(a)(2)(A).

14. The defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 11(b)(1)(J), 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, advice regarding the forfeiture at the change-of-plea hearing, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment.

Assisting the Government with Regard to the Forfeiture

15. The defendant agrees to assist fully in the forfeiture of the foregoing assets. The defendant agrees to disclose all of his assets and sources of income to the United States, and to take all steps necessary to pass clear title to the forfeited assets to the United States, including but not limited to executing any and all documents necessary to transfer such title, assisting in bringing any assets located outside of the United States within the jurisdiction of the United States, and taking whatever steps are necessary to ensure that assets subject to forfeiture are not sold, disbursed, wasted, hidden or otherwise made unavailable for forfeiture. The defendant also agrees to give this Office permission to request and review his federal and state income tax returns, and any credit reports maintained by any consumer credit reporting entity, until such time as the money judgment is satisfied. In this regard, the defendant agrees to complete and sign a copy of IRS Form 8821 (relating to the voluntary disclosure of federal tax return information) as well as whatever disclosure form may be required by any credit reporting entity.

Waiver of Further Review of Forfeiture

16. The defendant further agrees to waive all constitutional, legal and equitable challenges (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this Plea Agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. The defendant also agrees not to challenge or seek review of any civil or administrative forfeiture of any property subject to forfeiture under this agreement, and will not assist any third party with regard to such challenge or review or with regard to the filing of a petition for remission of forfeiture.

Waiver of Statute of Limitations

17. The defendant understands and agrees that should the conviction following his plea of guilty pursuant to this agreement be vacated for any reason, then any prosecution that is not time-barred as of the date of the signing of this agreement (including any indictment or counts that this

Office has agreed to dismiss at sentencing) may be commenced or reinstated against the Defendant, notwithstanding the expiration of the statute of limitations between the signing of this agreement and the commencement or reinstatement of such prosecution. The Defendant agrees to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date this plea agreement is signed.

Waiver of Appeal

18. In exchange for the concessions made by this Office and the defendant in this plea agreement, this Office and the defendant waive their rights to appeal as follows.

(a) The defendant knowingly waives all right, pursuant to 28 U.S.C. § 1291 or otherwise, to appeal the defendant's conviction.

(b) The defendant and this Office knowingly waive all right, pursuant to 18 U.S.C. § 3742 or otherwise, to appeal whatever sentence is imposed (including the right to appeal any issues that relate to the establishment of the advisory guidelines range, the determination of the defendant's criminal history, the weighing of the sentencing factors, and the decision whether to impose and the calculation of any term of imprisonment, fine, order of forfeiture, order of restitution, and term or condition of supervised release), except as follows: (i) the defendant reserves the right to appeal any term of imprisonment to the extent that it exceeds the final guideline range found by the Court to be applicable; (ii) and this Office reserves the right to appeal any term of imprisonment to the extent that it is below the final guideline range found by the Court to be applicable.

(c) Nothing in this agreement shall be construed to prevent the defendant or this Office from invoking the provisions of Federal Rule of Criminal Procedure 35(a), or from appealing from any decision thereunder, should a sentence be imposed that resulted from arithmetical, technical, or other clear error.

(d) The defendant waives any and all rights under the Freedom of Information Act relating to the investigation and prosecution of the above-captioned matter and agrees not to file any request for documents from this Office or any investigating agency.

Obstruction or Other Violations of Law

19. The defendant agrees that he will not commit any offense in violation of federal, state or local law between the date of this agreement and his sentencing in this case. In the event that the defendant (i) engages in conduct after the date of this agreement which would justify a finding of obstruction of justice under U.S.S.G. § 3C1.1, or (ii) fails to accept personal responsibility for his conduct by failing to acknowledge his guilt to the probation officer who prepares the Presentence Report, or (iii) commits any offense in violation of federal, state or local law, then this Office will be relieved of its obligations to the defendant as reflected in this agreement. Specifically, this Office will be free to argue sentencing guidelines factors other than those stipulated in this agreement, and it will also be free to make sentencing recommendations other than those set out in this agreement. As with any alleged breach of this agreement, this Office will bear the burden of convincing the Court of the

defendant's obstructive or unlawful behavior and/or failure to acknowledge personal responsibility by a preponderance of the evidence. The defendant acknowledges that he may not withdraw his guilty plea because this Office is relieved of its obligations under the agreement pursuant to this paragraph.

Court Not a Party

20. The defendant expressly understands that the Court is not a party to this agreement. In the federal system, the sentence to be imposed is within the sole discretion of the Court. In particular, the defendant understands that neither the United States Probation Office nor the Court is bound by the stipulation set forth above, and that the Court will, with the aid of the Presentence Report, determine the facts relevant to sentencing. The defendant understands that the Court cannot rely exclusively upon the stipulation in ascertaining the factors relevant to the determination of sentence. Rather, in determining the factual basis for the sentence, the Court will consider the stipulation, together with the results of the presentence investigation, and any other relevant information. The defendant understands that the Court is under no obligation to accept this Office's recommendations, and the Court has the power to impose a sentence up to and including the statutory maximum stated above. The defendant understands that if the Court ascertains factors different from those contained in the stipulation set forth above, or if the Court should impose any sentence up to the maximum established by statute, the defendant cannot, for that reason alone, withdraw his guilty plea, and will remain bound to fulfill all of his obligations under this agreement. The defendant understands that neither the prosecutor, his counsel, nor the Court can make a binding prediction, promise, or representation as to what guidelines range or sentence the defendant will receive. The defendant agrees that no one has made such a binding prediction or promise.

Entire Agreement

21. This letter supersedes any prior understandings, promises, or conditions between this Office and the defendant and, together with the Sealed Supplement, constitutes the complete plea agreement in this case. The defendant acknowledges that there are no other agreements, promises, undertakings or understandings between the defendant and this Office other than those set forth in this letter and the Sealed Supplement and none will be entered into unless in writing and signed by all parties.

If the defendant fully accepts each and every term and condition of this agreement, please sign and have the defendant sign the original and return it to us promptly.

Very truly yours,

Rod J. Rosenstein
United States Attorney

By: _____
Jefferson M. Gray
Kathleen O. Gavin
Assistant United States Attorneys

I have read this agreement, including the Sealed Supplement, and carefully reviewed every part of it with my attorney. I understand it, and I voluntarily agree to it. Specifically, I have reviewed the Factual and Advisory Guidelines Stipulation with my attorney, and I do not wish to change any part of it. I am completely satisfied with the representation of my attorney.

4/21/14
Date

Patrick J. Belzner

I am Mr. Belzner's attorney. I have carefully reviewed every part of this agreement, including the Sealed Supplement, with him. He advises me that he understands and accepts its terms. To my knowledge, his decision to enter into this agreement is an informed and voluntary one.

4/21/14
Date

Barry J. Pollack, Esquire

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Attachment A

Statement of Facts

The defendant, Patrick J. Belzner, stipulates and agrees that if this case had proceeded to trial, the government would have proven the following facts beyond a reasonable doubt. The defendant stipulates and agrees that the following facts are true and that they do not encompass all of the evidence that would have been presented had this matter proceeded to trial.

Background

At all times relevant here, the defendant, Patrick Belzner, was a resident of Maryland. Beginning in about 2009, and continuing until at least August 2011, Belzner worked for a real estate development business known as the McCloskey Group, LLC.

Brian McCloskey was a home builder who was the registered agent and owner of the McCloskey Group, LLC. McCloskey also owned several other Maryland corporate entities that were related to the McCloskey Group, including, but not limited to: a) 1100 Columbia York PA LLC; b) Claire's Lane, LLC; and c) Kellen Property & Investment LLC.

Kevin Sniffen was an attorney, licensed to practice law in the State of Maryland. At all times relevant here, Sniffen maintained an escrow account at Wachovia Bank with account number ending in #8685 (hereinafter "the Wachovia escrow account").

Mervyn A. Phelan, Sr. was a resident of Newport Beach, California. Phelan represented himself as the "Senior Underwriter" of IAG Underwriters LLC, with affiliated entities known as Workmen's Life Insurance Company, Preferred Senior Holding, LLC, Teachers Annuity Group, LLC (hereinafter collectively referred to as "IAG"). IAG, which was located in Newport Beach, California, represented itself as a loan brokerage and lending company that was in the business of arranging financing for real estate development projects.

Gregory Grantham was a resident of southern California and an attorney licensed in California. Grantham was the general counsel for IAG.

The Escrow Account Fraud Scheme

Beginning sometime in the fall of 2009 and continuing until August 2011, defendant Belzner conspired with McCloskey, Sniffen, Phelan, Grantham and others to defraud investors in Maryland through a fraudulent investment scheme. The conspirators advised various wealthy individuals and investment advisers that the McCloskey Group was seeking real estate project financing from IAG, which required it to maintain a certain amount of "liquidity" or reserves in the form of cash that was held on deposit in an escrow account at a bank as a part of IAG's loan approval process. The conspirators similarly persuaded E.M., a developer who was seeking financing from or through IAG, to deposit monies into an escrow account in order to show "liquidity" to qualify for the financing.

The conspirators advised potential lenders that it was acceptable to IAG if the McCloskey Group borrowed the funds that were held in these escrow accounts. They further represented that the borrowed funds would not be used for any other purpose; that they would be maintained under the control of Sniffen, a licensed attorney and escrow agent, and that Belzner, McCloskey, and the McCloskey Group would not be able to use, remove, or transfer the funds without the permission of the lender, who would retain title to the funds; and that the borrowed money would be returned to the lender either upon the funding of the loan or after a specified and generally relatively short period of time.[1] In return for this temporary use of the lender's funds, Belzner and McCloskey promised to pay substantial fees or interest.

[1] For ease of reference, "lender" includes the developer, E.M.

Once the investors transferred their funds into the escrow accounts, Belzner directed McCloskey to remove those funds from the escrow accounts without the knowledge or permission of the victim investors. Belzner and McCloskey then used the majority of the stolen funds to pay for their personal and business expenses. In addition, they used some of the stolen funds to make partial repayments to earlier lenders, to pay extension fees to some of the victim lenders to keep them from demanding the return of their money on the dates originally scheduled when the loans failed to fund, and to pay IAG for its supposed work and expenses in attempting to locate financing sources.

During the course of the fraud scheme, Belzner also directed McCloskey and others to use some of the stolen escrow funds to make lulling payments to a number of individuals from whom he had borrowed money in the past. Belzner had persuaded those various individuals (hereinafter "the promissory note lenders") to loan him money, usually by falsely claiming that he was in need of a short-term loan due to an emergency in connection with his business activities. Belzner provided promissory notes in exchange for the loans, but then failed to pay back the loans as promised. Many of the promissory note lenders frequently contacted Belzner, demanded payment and sometimes threatening legal action against him.

The conspirators used a variety of methods to conceal from their victims the fact that the escrow monies were no longer in the bank accounts. Among other things, Belzner and others created false bank statements and verifications of deposits to show to victim investors. They also made multiple false representations in emails and telephone conversations with the victim lenders and their attorneys as to the continued presence of the escrow funds, the status of the loan application process and the funding of loans by IAG, and the expected dates when the loans supposedly obtained by IAG were expected to fund and the investors' money would be returned to them.

Belzner specifically directed McCloskey, Sniffen, Phelan and Grantham as to what they should tell the victims and the victims' attorneys. Belzner even wrote fraudulent scripts for the conspirators to use in connection with expected telephone conversations or in written communications. These scripts sought to lull the victims and their representatives into believing that their escrow monies were safe and would be returned to them as promised in the escrow agreements. Belzner also prepared fraudulent scripts in order to persuade victims not to pursue demands or legal action for the immediate return of their funds.

In addition, Belzner sometimes used the alias of "Patrick McCloskey," representing himself to some of the victim investors as Brian McCloskey's brother or other relative. Belzner used the alias in order to conceal the fact that he had been convicted of embezzling funds from two previous employers.

One of the victims of the fraudulent scheme was E.M., who was attempting to finance a hotel project in Bowie, Maryland and had contacted Phelan and IAG as a potential lender. Phelan told E.M. that in order for IAG to obtain financing for E.M.'s project, E.M. needed to put money into a Sniffen escrow account in order to meet IAG's "liquidity requirements." Phelan represented to E.M. that once E.M. provided the escrow funds, IAG would provide financing for E.M.'s construction project.

In October 2010, Belzner, Phelan, Grantham and McCloskey met with E.M. in Maryland. Belzner introduced himself to E.M. as "Patrick McCloskey," Brian McCloskey's brother. Belzner falsely assured E.M. that Phelan and Grantham, as well as the IAG entities, would be able to get the financing in place for E.M.'s project. Belzner played an active part in the subsequent negotiations between E.M. and Phelan and Grantham, ultimately persuading E.M. to enter into an escrow agreement on behalf of his company, Hospitality Development Company ("HDC") and to deposit funds into an escrow account controlled by Sniffen.

On January 21, 2011, E.M. deposited via wire transfer $1,050,000 into the Sniffen escrow account. Prior to that deposit, the account had a zero balance. Later that same day, after the deposit of the E.M. funds, $20,000 was wire transferred out of the escrow account and into an IAG bank account in California.

E.M. then wire-transferred several more installments of funds into the escrow account in accordance with the escrow agreement. Specifically, he transferred a total of $215,000 into the Sniffen escrow account between January 31 and February 11, 2011.

Belzner and his conspirators continued to take E.M.'s funds out of the escrow account during this period of time. By February 14, 2011, they had taken nearly all of the money out of the escrow account, without E.M.'s knowledge or permission and in violation of the express terms of the escrow agreement. The conspirators used those funds to make payments to Belzner's promissory note lenders, earlier escrow fraud victims, Belzner's spouse and for cash expenditures.

On February 15, 2011, Belzner met with E.M. at E.M.'s office in Maryland. Belzner told E.M. that he needed to provide an additional $2.1 million in order to meet IAG's "liquidity requirements." Belzner insisted that E.M. execute settlement and refinancing documents which pledged E.M.'s construction site in Bowie, Maryland as collateral, in order to generate the additional $2.1 million. Belzner falsely claimed that the $2.1 million would be part of the existing escrow agreement that E.M. already had with Sniffen and that IAG would not be able to secure the funding for the E.M.'s project unless the additional funds were provided.

E.M. ultimately agreed to execute the documents, thereby causing a deposit into the Sniffen escrow account of $2,010,780 on February 15, 2011. E.M. also signed an "Amendment to the Escrow Agreement," dated February 16, 2011, which stated that the

"Escrowed Funds are now ... $4,162.000.00" and that all of the terms of the original escrow agreement remained in effect.

In direct violation of that agreement and without E.M.'s knowledge or permission, Belzner and his co-conspirators again promptly withdrew nearly all of that additional money from the Sniffen escrow account. As of February 17, 2011, the balance in the escrow account was less than $100. Belzner and the conspirators used $1.45 million of those funds to make a payment to G.C., another escrow victim investor, and $544,000 to make a similar payment to another escrow victim investor, B.L. and Repid LLC.

Shortly thereafter, E.M. began demanding the return of his funds pursuant to the terms of the escrow agreement. Since the E.M. funds were no longer in the escrow account, Belzner created a fraudulent "script" which provided a false explanation for the delay in the return of E.M.'s funds. Belzner then emailed the "script" from Maryland to Phelan in California on February 22, 2011. After making slight changes to the text to make it appear that Phelan was the author, Phelan emailed the "script" from California to E.M.'s company email account in Maryland on February 23, 2011. Relying on the false representations in the "script," E.M. agreed to wait for several additional weeks for the return of his funds. Following several more demands by E.M. for the return of his funds and false explanations by the conspirators for the ongoing delay, the fraudulent scheme was ultimately exposed in the summer of 2011. E.M. lost virtually all of the money – which totaled $3,275,780 -- that he had deposited or caused to be transferred into the Sniffen escrow account.

In addition to E.M., Belzner and his conspirators similarly defrauded other individual investors, companies and related entities as part of this scheme. In all, the conspirators' fraudulent scheme caused $22,735,780 million to be wired or obtained from the bank accounts of

investors, lenders and E.M. into what were falsely represented to be escrow accounts where the funds would be secure. In some cases, Belzner made or caused to be made "extension" payments back to some of the investors, in return for being allowed to hold their funds for longer than the time period originally agreed to (Belzner justified these requests by explaining that the anticipated financing was just taking a little longer to arrange than was originally expected.) The chart below sets forth the amount of funds received from each investor; any payments made back to that investor; and each investor's net loss as of the time the scheme was exposed in the summer of 2011:

VICTIM INVESTOR	**FUNDS PLACED INTO ESCROW ACCOUNT**	**BELZNER PAYMENTS TO INVESTOR**	**NET LOSS SUFFERED BY INVESTOR**
R.R.	$3,955,000	$ 0	$3,955,000
C.C., R.N., and J.O.	$4,050,000	$210,000	$3,840,000
S.G.	$3,840,000	$725,000	$3,115,000
Namkeb, LLC & Repid, LLC	$6,035,000	$1,995,000	$4,040,000
G.T. & Tyler Mechanical	$380,000	$0	$380,000
E.M. & Hosdevco	$3,275,000	$0	$3,275,000
T.S. & Murcielago, LLC	$1,200,000	$0	$1,200,000
TOTALS:	**$22,735,000**	**$2,930,000**	**$19,805,000**

The Evasion of Assessed Tax

In 1995, 1996 and 1998, Belzner stole $1,111,304.78 from his employer, Monumental Supply Company. In 1998, Belzner also stole $186,146.71 from another employer, U.S. Foodservice Company.

In 1998 and 1999, Belzner also had unexplained deposits into his bank accounts that totaled $241,773. These stolen and additional, unexplained funds constituted income which Belzner did not report on his federal tax returns for those years.

In about 2000, the Internal Revenue Service ("IRS") conducted an audit of Belzner's tax returns for the years 1995 through 1999. As a result of that audit, the IRS assessed additional taxes, interest and penalties against Belzner in August 2003 in the amount of $1,150,935.25 for the 1995 and 1996 tax years. In May 2005, the IRS assessed an additional $246,424.50 against Belzner in taxes, penalties and interest for the 1998 and 1999 tax years.

In October 2004, Belzner signed an IRS Form 870-C in which he consented to the assessment and collection of the back taxes, penalties and interest for the 1998 and 1999 tax years. Belzner did not sign a similar consent form for the assessed taxes, penalties and interest for the 1995 and 1996 tax years.

Beginning in 2003 and continuing through 2010, the IRS sent approximately 25 separate notices to Belzner and his Power of Attorney notifying him of the amount of unpaid taxes and his obligation to make payment. The notices further advised that the IRS intended to place liens on his property and seize his assets if he did not pay the taxes.

Between January 2006 and June 2011, Belzner had substantial income from construction and real estate development activities, as well as from his employment at The McCloskey Group. During this same time period, Belzner intentionally concealed his income and his assets from the IRS in a variety of ways and made no payments whatsoever on his tax debt.

First, Belzner formed and controlled more than 20 different limited liability corporations ("LLCs"). Belzner did not list himself as having any ownership interest in any of them. He then placed certain assets, including his own residences, other real estate and automobiles, in the name of the various LLCs. He also opened bank accounts in the names of the LLCs which he then used to pay for his personal expenses, including his mortgage, a ground rent for a vacation home in Delaware, construction costs on a house that he had built

in Glen Arm, Maryland, car payments, Ravens season tickets, private school tuition and various other personal items.

Second, Belzner used other individuals to act as "straw purchasers" for real property that he acquired. For example, in November 2009, Belzner purchased real estate on Edwards Lane in Baltimore County, Maryland. In connection with that purchase, Belzner persuaded his neighbors to allow their names to appear as the purchasers on the deed and transaction documents, when, in fact, Belzner was the buyer of the property.

Third, Belzner used several individuals to conduct financial and other transactions, on his behalf, in their names. At Belzner's direction, McCloskey Group employees and one of Belzner's associates routinely cashed company checks, made payable to them at the direction of Belzner. These individuals either returned the cash to Belzner or paid Belzner's creditors directly, as directed by Belzner. In all, Belzner caused more than $175,870 in McCloskey Group checks to be issued in this fashion between November 2009 and June 2011.

Fourth, Belzner hid his McCloskey Group income by arranging for the company to pay for many of his personal living expenses, rather than issuing him salary checks. Between January 2009 and June 2011 specifically, the McCloskey Group paid more than $1.5 million of Belzner personal expenses, including health and life insurance premiums, car payments, personal loan payments utility and cable bills, and mortgage payments.

Fifth, Belzner hid his financial and business records by maintaining them under another individual's name at a public storage facility. Belzner directed one of his associates to rent the storage locker in the associate's name. Belzner then paid the rental fee and was the only person who actually used the locker.

Finally, in February 2006 and again in January 2009, Belzner submitted a Form 433 Collection Information Statement to the IRS, falsely claiming each time that he did not have

sufficient income to make any payments whatsoever on the assessed back taxes, penalties and interest.

Belzner engaged in all of these acts in order to conceal his income and assets with the intent to evade and defeat the IRS's efforts to collect the assessed taxes, penalties and interest owed by him. At all times, Belzner acted knowingly and willfully.

The total amount of assessed tax, interest and penalties owed by Belzner as of August 2013, was approximately $2,619,870.

I have read the foregoing statement of facts with my attorney, understand it, agree with it, and do not wish to change any part of it. I further understand that it is included as part of my plea agreement with the government in this case.

Agreed to this 21 SF day of April, 2014.

Patrick J. Belzner