



**U.S. Department of Justice**

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June 10, 2014

Matthew G. Kaiser, Esquire  
1400 Eye Street, NW  
Suite 525  
Washington, D.C. 20005

Re: *United States v. Gregory Grantham*  
Criminal No. JKB-12-0103

Dear Mr. Kaiser:

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 If this offer has not been accepted by 5 p.m. this afternoon, it will be deemed withdrawn. The terms of the agreement are as follows:

**The Offenses of Conviction**

1. The defendant agrees to plead guilty to Counts 1, 40, and 44 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 obstruction of justice in violation of 18 U.S.C. § 1503. 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.

#### **Obstruction of Justice**

a. There was a pending judicial proceeding;

b. The defendant had knowledge or notice of the proceeding; and

c. The defendant acted corruptly, that is with the intent to influence, obstruct, or impede that proceeding in its due administration of justice.

#### **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 obstruction of justice, imprisonment for ten years, three years supervised release and a fine of \$250,000. 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.<sup>1</sup> If a fine or restitution is imposed, it shall be payable immediately, unless, pursuant to 18 U.S.C. § 3572(d),

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<sup>1</sup> 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).

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:

The applicable guideline for the defendant's convictions under Counts 1 and 40 (which group together pursuant to U.S.S.G. § 3D1.2(d)) is U.S.S.G. § 2B1.1, which establishes a base offense level of **seven (7)** for wire fraud conspiracy and wire fraud. U.S.S.G. § 2B1.1(a). As noted below, see ¶ 7, the parties disagree with respect to the amount of the loss for which the defendant is criminally responsible, and with respect to one other potentially applicable enhancement and one potentially applicable reduction under the Guidelines.

Pursuant to U.S.S.G. § 3C1.1 & comment. (n.8) and § 3D1.2(c)), the defendant's conviction for obstruction of justice under Count 44 groups together with the underlying fraud offenses, resulting in an additional increase of **two (2)** offense levels.

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 (1)** 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.

### Guideline Factors Not Stipulated

7. The following advisory guidelines are in dispute:

a. The parties disagree as to the amount of loss that should be attributable to the defendant for purposes of the advisory sentencing guidelines. It is the government's position that the loss is more than \$20 million, so that the offense level should be increased by **twenty-two (22)**. U.S.S.G. § 2B1.1(b)(1)(L). The defendant's position is that the attributable loss amount was more than \$1 million, but less than \$2.5 million, so that the offense level should be increased by **sixteen (16)**. U.S.S.G. § 2B1.1(b)(1)(I).

b. The parties disagree as to whether an enhancement based upon the number of victims under U.S.S.G. § 2B1.1(b)(2)(A)(i) is applicable. It is the government's position that the number of victims exceeds ten, and therefore, that **two (2)** levels should be added. It is the defendant's position that this enhancement is not applicable because the number of victims for which he was criminally responsible was less than ten, and also because investment entities like Namkeb, LLC and Repid, LLC should be treated as single victims, rather than counting the number of individuals who were participants in these entities. Grantham also disputes whether more than ten victims were reasonably foreseeable to him, in light of when he maintains he knew of the underlying escrow fraud in the Superseding Indictment.

c. The parties disagree as to whether there should be an adjustment to the guideline calculation on account of the defendant's role in the offenses. It is the government's position that there should be no adjustment, whether up or down, under U.S.S.G. § 3B1.1 or § 3B1.2. It is the defendant's position that the defendant was a minor participant and should receive a **two (2)** level reduction pursuant to U.S.S.G. § 3B1.2(b).

The parties agree that the defendant's final adjusted offense level, after the resolution of the disputed guideline factors and the adjustment for acceptance of responsibility, should be no higher than **thirty (30)** and no lower than **twenty (20)**. U.S.S.G. § 3D1.3(b).

8. 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.

9. 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 the opposing party, 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**

10. At the time of sentencing, this Office will recommend that the defendant be sentenced to serve a term of sixty (60) months' incarceration. This Office further will recommend full restitution in the amount of the actual loss caused by the defendant's offenses, including the full amount of the loss for which the Court finds the defendant to have been criminally responsible at sentencing.

The defendant understands, however, that the Government's willingness to make the sentencing recommendation set forth above is contingent upon both Mr. Grantham and Mr. Phelan entering pleas of guilty today as contemplated by the plea agreements tendered to defense counsel on this date. If Mr. Phelan does not plead guilty, then the government will be released from the above limit on its sentencing recommendation, and may recommend any sentence within the Guidelines range found by the Court to be applicable at sentencing.

11. 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.

#### **Forfeiture**

12. 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).

13. 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**

14. 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**

15. 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**

16. 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**

17. 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**

18. 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**

19. 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**

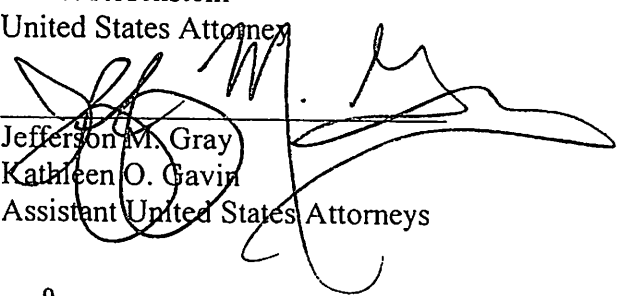
20. This letter supersedes any prior understandings, promises, or conditions between this Office and the defendant and, together with the Sealed Supplement, constitutes the complete plea agreement in this case. The defendant acknowledges that there are no other agreements, promises, undertakings or understandings 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.

6-10-14  
Date

Gregory Grantham  
Gregory Grantham

I am Mr. Grantham'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.

6/10/14  
Date

Matthew G. Kaiser, Esquire  
Matthew G. Kaiser, Esquire

## Attachment A

### Statement of Facts

*The defendant, Gregory Grantham, 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 do not encompass all of the evidence that would have been presented had this matter proceeded to trial.*

Defendant Gregory Grantham is a licensed attorney and a resident of California. During the time period between September 2009 and September 2011 that is relevant to this case, Grantham was employed as the General Counsel for IAGU Underwriters, LLC, and also maintained a private law practice. IAGU Underwriters, LLC and various subsidiaries and related entities (collectively referred to here as "IAGU") were all located in the same office suite at 610 Newport Center Drive in Newport Beach, California. IAGU represented itself to be a loan brokerage and lending company that was engaged in the business of arranging financing for real estate development projects.

Grantham's co-defendant Mervyn A. Phelan, Sr. was a resident of Newport Beach, California. Although Phelan represented himself on emails and other documents only as the "Senior Underwriter" of IAGU, he in fact effectively functioned as IAGU's chief executive officer. Sean Krondak held the title of Vice-President – Loan Officer and Underwriting for IAGU.

IAGU began operating under that name sometime after September 2009. Over the course of the next two years, various other entities were also listed on the IAGU letterhead and in employee signature blocks, including Preferred Senior Holding, LLC ("PSH"), Teachers Annuity Group ("TAG"), Workmen's Life Insurance Company ("WLIC"), and other variations of these names.

Between 2009 and August 2011, IAGU successfully brokered only one small commercial loan, which was not related to the events described below. IAGU never had sufficient capital to actually fund loans itself, and in fact, never did fund any loans from its own resources. Because IAGU had little success in actually brokering loans, it earned few commissions. The company's income instead consisted almost entirely of engagement and underwriting fees, which IAGU charged to prospective borrowers in return for its efforts to locate sources of financing for real estate development projects. Beginning in the spring of 2010, Phelan aspired to purchase control of an inactive Arizona life insurance company known as Workmen's Life Insurance Company (WLIC) and then to use that as a vehicle to acquire a large collection of section 403(b) teachers' retirement accounts that could be used to finance direct lending activity by IAGU. Because IAGU's own financial resources were so limited, however, Phelan needed to persuade outside investors to help finance these acquisitions.

Patrick Belzner was a resident of Maryland. Beginning in about the start of 2009, and continuing until at least August 2011, Belzner worked for a Maryland real estate development business known as the McCloskey Group, LLC ("McCloskey Group").

Brian McCloskey was the registered agent and owner of the McCloskey Group. 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 to this case, Sniffen maintained an escrow account at Wachovia Bank which had an account number ending in # 8685 (hereinafter "the Wachovia escrow

account"); on occasion, he also made use of additional escrow accounts at Wachovia Bank with account numbers ending in 0766 and 4719.

### **The Escrow Account Fraud Scheme**

Beginning in the fall of 2009 and continuing until August 2011, Belzner, McCloskey, and Sniffen conspired to defraud various individuals and investment partnerships in Maryland through a fraudulent scheme whereby they persuaded various individuals to loan them large sums of money, ostensibly for the purpose of being able to demonstrate "liquidity" or cash reserves to various lenders from whom they were seeking financing for real estate development projects. In May 2010, McCloskey contacted IAGU and sought its assistance in obtaining financing for its various development projects. Phelan saw Belzner, McCloskey, and the McCloskey Group as a potential source of financing and underwriting fees for IAGU, as well as of funds that could be used to further Phelan's plan of acquiring WLIC, the inactive Arizona life insurance company. As General Counsel of IAGU, Grantham was involved in work relating to the McCloskey Group, as described below.

Accordingly, beginning in or about the late summer of 2010, Phelan and Grantham conspired with Belzner and McCloskey and aided and abetted them in their scheme to defraud by (1) making false representations to help persuade various wealthy individuals and investment partnerships to loan sums of money to the McCloskey Group, ostensibly for the purpose of satisfying "liquidity" requirements imposed by IAGU or various prospective lenders from whom it was seeking financing for McCloskey Group development projects; and by (2) making false representations to dissuade wealthy individuals who had previously loaned funds to the McCloskey Group to satisfy lenders' "liquidity" requirements from demanding the return of their funds when the original time period established for the loan expired without the McCloskey

Group obtaining financing for the project in question. In return for Phelan's and Grantham's assistance in making these false representations both to potential new and existing escrow account lenders, the McCloskey Group made or caused to be made payments totaling approximately \$557,000 to IAGU between July 9, 2010 and June 15, 2011. These funds were used to fund the continued operations of IAGU and its related entities, including the payment of salaries to Phelan and Krondak and payments to Grantham during this time period as an independent contractor, as well as enabling Phelan to make outstanding lease payments he owed on his personal residence in Newport Beach. In addition, Belzner and McCloskey caused the McCloskey Group and related entities to put up a total of \$747,500 which was used by IAGU to acquire WLIC. (In contrast, IAGU was able to put up only \$20,000 of its own funds to help finance this acquisition.)

In furtherance of this scheme, between the summer of 2010 and the summer of 2011, Belzner and McCloskey, together with Phelan and Grantham and others, conspired together and advised various wealthy individuals and investment advisers that the McCloskey Group was seeking real estate project financing from IAGU, which required the McCloskey Group to maintain various amounts 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 IAGU's loan approval process.

The conspirators and co-schemers further advised potential lenders that it was acceptable to IAGU if the McCloskey Group borrowed the funds that were held in these escrow accounts. They further represented to prospective lenders that the borrowed funds would be maintained under the control of Sniffen, a licensed attorney and escrow agent; 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 supposedly being sought by the McCloskey Group or after a specified and generally relatively short period of time. In return for this temporary use of the lender's funds, Belzner and McCloskey promised to pay substantial fees or interest.

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 lenders. 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 pay IAGU for its supposed underwriting work and expenses in attempting to locate financing sources, to make partial repayments to earlier lenders, and 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. On four occasions, as set forth below, funds paid to IAGU as underwriting fees were transferred directly from attorney Sniffen's escrow account.

Among the actions that Grantham took to assist Belzner and McCloskey by helping to dissuade individuals who had previously lent money to the McCloskey Group for purposes of establishing liquidity from demanding the return of their funds or pursuing legal action against the McCloskey Group were the following.

In April and August 2009, Mr. R.R. had loaned a total of \$3.955 million to the McCloskey Group for the purposes of satisfying what he understood to be the liquidity requirements in connection with various real estate development loans it was seeking. Belzner and McCloskey stole these funds and were unable to pay them back within the time period contemplated by their loan agreements with Mr. R.R. Several months later, after the funds had already been taken by Belzner and McCloskey, they solicited Grantham's assistance in

persuading Mr. R.R. to continue to forbear acting on his remedies to compel the return of the funds. Accordingly, on December 2, 2010, Grantham prepared and sent by e-mail to Brian McCloskey, with a copy to attorney R.B. who represented Mr. R.R., a letter representing that IAGU's "underwriting guidelines" required that prospective borrowers must "demonstrate sufficient reserves," which were to be placed "with an IAGU approved closing attorney to be held until actual closing occurs. Kevin Sniffen, Esq. has been approved by IAGU in this regard." Grantham's letter further stated that the required amount of reserves for the three loans IAGU was then processing for the McCloskey Group totaled \$4.474 million – a number that was selected by McCloskey to match the amount of Mr. R.R.'s money that, with interest, was supposedly being held in Sniffen's escrow account.

In addition, on or about February 11, 2011, Grantham prepared a letter addressed to McCloskey, with a copy to Mr. R.R.'s attorney R.B., falsely representing that three loans brokered by IAGU on behalf of various McCloskey Group entities in the amounts of \$1.775 million, \$3.14 million, and \$1.5 million were scheduled to close on February 23rd, February 28th, and in March 2011 respectively, so that the escrow funds could thereafter be returned to Mr. R.R. In fact, IAGU had no funding or agreed participants for any of the three loans as of the date of Grantham's letter, and had made no significant progress in obtaining any. Grantham first transmitted this letter by email to Belzner, McCloskey and Phelan for their review, and then sent it by email to attorney R.B. On March 10, 2011, Grantham subsequently used a script provided by Belzner to send a lengthy email to Mr. R.R.'s attorney, Mr. R.B., falsely representing that "funding will definitely occur by the 19th" on the Estates of McCormick transaction, and that his "best estimate" was that the loan on the Brigadoon Marina transaction would close in "the later part of the week of the 21st of March." Grantham also sent a further lengthy email to attorney

R.B. on May 11, 2011 that once again was based upon a script provided by Belzner falsely representing that the closing on the Estates of McCormick loan was imminent at that time.

No closings of loans brokered by IAGU to any of the McCloskey entities took place on the dates indicated in Grantham's February 11th letter, or at any time thereafter. Instead, for the remainder of the spring and into the summer of 2011, Belzner, McCloskey, Sniffen, Grantham, and Phelan continued to provide false and fraudulent excuses and explanations to attorney R.B. as to why the settlements on the loans supposedly being pursued by IAGU had not occurred, coupled with further deceptive assurances that the settlements were imminent.

Likewise, Mr. G.C., along with a personal friend of his and his counsel Mr. J.O., had contributed a total of approximately \$4.05 million to meet what Belzner, Phelan, and McCloskey represented were IAGU's requirements for closing a \$28 million loan for the 1100 Columbia York project. Originally, Belzner and McCloskey represented that the funds loaned by these individuals were being held in the custody of attorney Sniffen, but starting in October 2010, Phelan agreed to pretend that the funds had been transferred to an escrow account under IAGU's control, when in fact this was not the case. Grantham knew that Belzner and McCloskey had falsely told Clampet that Phelan and IAGU were holding his escrow funds by late February 2011 – which he described to Phelan as “really wrong and bad” – but nevertheless continued to cooperate with their efforts to lull Clampett's suspicions and to assuage his concerns for three additional months, until late May 2011. Consistent with Grantham's sentencing position as set forth below, Grantham maintains that at this time he did not know about the escrow fraud.

In early 2011, Mr. G.C. and his attorney, Mr. J.O., began demanding the return of the funds that were supposedly being held in the account controlled by IAGU. During the spring and summer of 2011, Phelan and Grantham sent multiple communications to Mr. G.C. and his

counsel in an effort to lull them into believing that the funding of the York project loan was imminent and that the release of the escrowed funds would follow shortly thereafter. For example, on April 11th, Grantham, in compliance with instructions from Belzner received earlier that day, sent an email to Mr. J.O. falsely representing that he would “authorize the wires for funding and release of the escrow funds” on the 1100 Columbia York Project.

Although Phelan and Grantham in their communications with Mr. G.C. and his counsel made it sound as if Belzner and McCloskey were independent businessmen with whom they were dealing on an arm’s length basis, in reality the four men were in constant communication with each other and carefully coordinated their responses to Mr. G.C.’s and his counsel’s inquiries and demands for the return of his funds. Indeed, in an email from Phelan to McCloskey on May 29, 2011, Phelan stated that “Greg feels that he is ‘aiding and abetting’ by acknowledging all the BS . . . Pat [Belzner] requires of him in dealing with [J.O.] who is a licensed attorney. Another words [sic] he feels he is deep into a conspiracy with Pat making misrepresentations when he knows it’s not true that he is holding the [G.C.] funds.”

Grantham also assisted Belzner and McCloskey in their scheme by helping to persuade prospective escrow account lenders to conclude their transactions and to persuade them that it was necessary to place their funds under Sniffen’s control, rather than that of some other escrow agent. For example, in the late summer of 2010, Belzner and McCloskey represented to Mr. B.L., an investment adviser, that they needed to show \$3.3 million in “liquidity” in order to obtain loans from WLIC to finance the three real estate projects (including 1100 Columbia York), and that IAGU was a related brokerage company that was underwriting the loans for the three projects.

In the course of the negotiations relating to the proposed escrow account transaction, Belzner and McCloskey told Mr. B.L. that attorney Kevin Sniffen would serve as the escrow agent. Mr. B.L. preferred to use an escrow agent whom he knew personally, but when he contacted Grantham by telephone and raised this issue, Grantham and Phelan refused to authorize the use of anyone other than Sniffen to be the escrow agent. Phelan and McCloskey falsely represented that Sniffen had undergone a four-month certification process by IAGU before being approved to serve in that capacity, and Grantham did not object to that assertion.

In addition, on or about September 13, 2010, Grantham also provided written confirmation by means of a letter to McCloskey that he copied to Mr. B.L. that: (1) the deposit of the funds into one or more escrow accounts was a requirement for the loan transactions to proceed; (2) the funds deposited into the escrow accounts to satisfy the liquidity requirement would at all times remain the property of the escrow account investors and would not be subject to claims or attachment by any other persons or entities; and (3) any funds placed in the escrow accounts would be distributed to the escrow account investors on the earlier of (i) the closing of the loan or (ii) the passage of 120 days. Upon receiving this confirmation from Grantham, Mr. B.L. decided to proceed with the transaction, and on September 15, 2010, he caused \$3.3 million to be transmitted to Sniffen's escrow account in the name of an investment company he had established named Namkeb, LLC. Namkeb, LLC had five investor-members who contributed funds to it. As soon as Phelan received notice from Mr. B.L. that Namkeb's funds had been transmitted to Sniffen's escrow account, he advised Grantham by email that "Greg, They just received the funds and are ready to fund. You and I need to propose an extra \$100,000 in some fashion for operating cost of the on going insurance company [sic]. I need your input to do it." In fact, at this point, IAGU was still more than a year away from acquiring control of WLIC.

Subsequently, in January 2011, when Belzner and McCloskey were trying to persuade Mr. B.L. to loan an additional \$1.185 million to the McCloskey Group for liquidity purposes through a second investment company named Repid, LLC that he had established, Grantham issued two letters on IAGU's letterhead dated January 5th, 2011 using a text that was prepared by Mr. B.L.'s attorneys summarizing their understanding of the transaction and which were directed to Mr. B.L. and McCloskey, in which he falsely stated that the "Lender's" underwriting procedures required that the funds be deposited into an escrow account with Sniffen and in which Grantham further assured Mr. B.L. that the ownership of the escrowed monies would remain with Mr. B.L.'s investment partnership at all times. Upon receipt of these assurances, in three transactions between January 5th and January 8th, Mr. B.L. transferred the funds in question to an escrow account under Sniffen's control, from which the funds were then stolen by Belzner and McCloskey. As is set forth below in Mr. Grantham's position on the statement of facts for sentencing, Mr. Grantham maintains that he did not have knowledge that Belzner and McCloskey had stolen these funds.

Over the next several months, Mr. B.L. repeatedly demanded explanations for the delay in funding the loan supposedly being brokered by IAGU on behalf of the McCloskey Group; proof that the escrow funds were still in place; and ultimately, the return of all of the Namkeb and Repid funds. In order to persuade Mr. B.L. to continue to defer action compelling the return of these funds, Grantham made or participated in the making of numerous false statements, letters and documents misleading Mr. B.L. as to the status and expected funding dates of McCloskey construction loans allegedly being funded by IAG or in a participation with other lenders. These included the transmission of a letter by email from Grantham in California to Mr. B.L. on February 2, 2011 falsely representing that WLIC (which IAGU had not even acquired at

that time) had “obtained a participant for the entire package of [McCloskey Group] loans,” which were expected to close on February 7th, and an email dated May 7, 2011 in which Grantham made a suggestion in response to Phelan’s outline of a proposed (and entirely false) explanation that could be given to Mr. B.L. for the continued delay in returning the Namkeb and Repid funds to him.

Grantham, together with Phelan, also played an important role in persuading Mr. E.M., a Prince George’s County real estate developer who specialized in hotel properties, to place \$1.050 million in an escrow account controlled by attorney Sniffen in connection with financing he was seeking for one of his projects on a site in Bowie, Maryland from IAGU, from which these funds were then stolen by Belzner and McCloskey. In late September 2010, Mr. E.M. got in contact with Phelan and Grantham, whom he had been advised might be able to locate the financing he needed. In their subsequent dealings with Mr. E.M., Phelan and Grantham represented that WLIC and an IAGU-affiliated company known as TAG would be the actual lenders. The following month, Phelan and Grantham traveled to Maryland to meet with Mr. E.M. and members of his development team at the planned site of the hotels in Prince George’s County. Belzner and McCloskey accompanied Phelan and Grantham to the meeting to serve as references for the ability of TAG and its related entities, including WLIC, to get financing deals done. Belzner played an active part in Mr. E.M.’s subsequent discussions with Phelan and Grantham. Throughout their discussions with Mr. E.M., Belzner represented that his name was “Patrick McCloskey,” without objection or correction by either Grantham or Phelan, both of whom knew that this was not Belzner’s true name.

Phelan and Grantham advised Mr. E.M. that it would be necessary for his company to satisfy a “liquidity requirement” on each loan by placing substantial sums in what they described

as a bonded escrow account under the control of Kevin Sniffen, an attorney who had been previously approved by them. Initially, Grantham informed Mr. E.M. that he would be required to place a total of \$4.3 million in this escrow account. Mr. E.M. balked at this requirement, but ultimately agreed to place approximately \$1,100,000 in the escrow account. It was further agreed that this amount would be refunded at the time of the closing on the construction loans for the first two hotels, which was scheduled to occur on March 25, 2011.

On or about January 21, 2011, Mr. E.M. executed an escrow agreement with Sniffen which provided that the Escrow Agent was holding the funds for the benefit of Mr. E.M.'s company, and that the funds would be returned to his company either on the closing date of the loan or, in any event, no later than March 31, 2011. Mr. E.M. then arranged for two wire transfers totaling \$1,050,000 to be sent to Sniffen's Wachovia Bank escrow account # 8685. On January 31, 2011, Mr. E.M. caused an additional \$100,000 to be wired to Sniffen's # 8685 escrow account, and Mr. E.M. sent another \$100,000 on February 9, 2011, after Grantham transmitted a commitment letter on TAG/WLIC letterhead to him that day relating to a construction loan he was seeking for the construction of a third hotel on the Bowie parcel.

Between January 21, 2011 and February 14, 2011, without Mr. E.M.'s knowledge or authorization, McCloskey removed almost all of the funds deposited in the escrow account by Mr. E.M. McCloskey wired \$20,000 to IAGU; the remainder was used to pay creditors and other expenses of Belzner and McCloskey or was transferred to other McCloskey-related entities. Again, consistent with Grantham's position on sentencing as set forth below, Grantham maintains that he had no knowledge that McCloskey removed these funds. On February 15, Grantham prepared and sent a letter by email to both McCloskey and Mr. E.M. falsely representing that WLIC (which, again, IAGU did not yet own at that time) had "internal capital

and commitments from participants, to fund up to Sixty Million Dollars in mortgage loans.”

When Mr. E.M. pressed for the return of his funds in late March after the promised financing did not occur, Belzner sent an email on March 22, 2011 to Grantham and Phelan in California in which he explained the necessity of getting Mr. E.M. to accept an extension agreement so he would not continue to press for the return of his funds. In return, Grantham prepared extension letters for each of the three loans extending the repayment dates to April 15th and transmitted these by email to Mr. E.M. on that same day. In fact, as Grantham knew at that time, IAGU was nowhere close to obtaining loans sufficient to finance construction of all three hotels. The only lender with whom IAG had substantial discussions about Mr. E.M.’s project, Wells Fargo, had indicated that it was potentially willing to consider financing the construction of only one of the three proposed hotels, but even these discussions never moved past a preliminary stage. In the end, none of the financing that Mr. E.M. sought from Phelan and Grantham in connection with the construction of the three hotels ever materialized, and Mr. E.M. never received back any of the \$1.250 million he transferred to the Sniffen escrow account between January 21st and February 14th.

Finally, in June 2011, Grantham again assisted Belzner in persuading a potential escrow account lender to place their funds in an escrow account subject to Kevin Sniffen’s control. Belzner was negotiating with Mr. S.N., who was outside counsel to an investment company named Murcielago, LLC (which in turn served as an investment vehicle for a Mr. T.S.), concerning a potential \$1.2 million loan of additional escrow funds. Mr. S.N. proposed that he serve as the escrow agent, rather than Sniffen. In response, Belzner had Grantham send an email to Mr. S.N. on June 7, 2011, on which Sniffen, McCloskey, and Phelan were also copied. In this email and in a subsequent telephone call with Mr. S.N. and Phelan, Grantham falsely represented

that Sniffen had to serve as the escrow agent because he was the “designated closing agent approved by our investment committee.” In fact, IAGU did not have an investment committee; key decisions were simply made by Phelan with input from Grantham. After receiving Grantham’s e-mail, Murcielago agreed to make the requested \$1.2 million loan and the funds were transmitted to an escrow account controlled by Sniffen on June 13th, from which they were removed by Belzner, McCloskey, and Sniffen over the course of the next four days. Most of these funds were used to pay other creditors or to meet other expenses of the McCloskey Group, but \$200,000 of the Murcielago escrow funds were wired to IAGU. Most these funds (\$125,000), in turn, were used to pay a lease-to-purchase option on Phelan’s Newport Beach residence. Grantham assisted in the settlement of this lease-to-purchase option.

Grantham agrees that the false or fraudulent statements attributed to him above were material to the individuals who were prospective or previous escrow account lenders and were known by him to be false or fraudulent at the time they were made. The government’s position is that Grantham is therefore criminally responsible for the indicated losses suffered by the following prospective escrow account investors after Grantham knowingly made materially false or fraudulent representations to them: (1) Mr. B.L., Namkeb, LLC, and Repid, LLC (\$6.035 million loaned immediately after false representations were made by Grantham; final loss suffered on overall investment of \$4.040 million); (2) Mr. E.M. (\$1.250 million loaned and subsequently lost in transactions where Grantham had advance knowledge and played a direct role in obtaining the funds); (3) Mr. T.S./Murcielago, LLC (\$1.2 million loaned and lost).

The government further maintains that Grantham conspired with Belzner, Phelan, and McCloskey, and aided and abetted them in persuading the following individuals who had previously loaned the funds indicated to the McCloskey Group, to desist from demanding the

immediate return of their funds or to forbear from exercising their authorized legal remedies to compel Belzner and McCloskey to return the funds they had loaned: (1) Mr. R.R. (actual loss of \$3.955 million); (2) Mr. S.G. (total amount invested \$3.840 million; net loss suffered of \$3.115 million); (3) Mr. G.C., Mr. J.O., and a personal friend of Mr. G.C.'s (total amount invested \$4.050 million; net loss suffered of \$3.840 million). Accordingly, the total loss in the government's view for which Grantham is criminally responsible is \$20.330 million.

Grantham maintains that the total amount of the loss for which he is criminally responsible is \$1.2 million, consisting of the funds lost by Mr. T.S. and Murcielago, LLC. Grantham maintains that the government has produced, and has, no evidence that Grantham knew that Sniffen was allowing Belzner and McCloskey to remove the escrowed funds in violation of his obligations as an attorney and the assurances made to investors before the Spring of 2011. In light of all of the facts and circumstances that were known to him by that time, particularly the repeated unwillingness of Belzner and McCloskey to return escrow funds long after these monies were due to be repaid, and their repeated requests to Phelan and Grantham that they make false statements in order to dissuade escrow account investors from pressing their demands for repayment, Grantham acknowledges that by the end of May 2011, he subjectively believed that there was a high probability that the escrow account funds were not available to be repaid and that he deliberately refrained from taking action that would have enabled him to learn the truth – for example, by directly asking Belzner and McCloskey whether the funds were still in escrow, and also by demanding that they produce confirmation that this was the case. Accordingly, Grantham's position is that he was not a co-conspirator with Sniffen, Belzner, and McCloskey before late May 2011 in a conspiracy that had illicitly taking funds from Sniffen's escrow account as a purpose of the conspiracy. Grantham's position is that the only loss

reasonably foreseeable to him at the time he joined the conspiracy was the \$1.2 million loss from the Murcielago, LLC transaction and that, likewise, the only victims for whose loss he was criminally responsible were those associated with the Murcielago, LLC transaction.

The government disputes Grantham's contention above and submits that there is evidence – some of which has already been set forth above – that as far back as September 2010, Grantham either knew that Belzner and McCloskey were taking the escrow account lenders' funds and in violation of the terms of the escrow agreements, or that he was willfully blind to a high probability that this was the case. In addition, the government maintains that Sean Krondak told the investigators that as of late January 2011, when IAG was paid \$20,000 on January 21st that came straight out of Sniffen's # 8685 escrow account immediately after Mr. E.M. had made his first transfer of \$1.050 million in funds into the account earlier that very same day, "Phelan, Grantham, and Krondak all knew that if they were receiving payments directly from Sniffen's escrow account then obviously Belzner and McCloskey were paying them with Murphy's escrow funds." Grantham contends that he was not a signatory to the IASG bank account and did not have access to IAG bank account information.

Likewise, in an email to Phelan on May 29, 2011, McCloskey referred to the amounts that he and Belzner had taken from the escrow lenders, and how he hoped to deal with the situation:

All the \$ I owe out . . . . is my problem. I have never been looking for you & Greg to get stuck with the debt. I am looking for the life company [WLIC] to help me differr [sic] the debt as long as possible . . . . but never removing my name or my responsibility out of the equation.

It is the intention of the parties that at sentencing in this matter, they will each make a fuller presentation of the relevant evidence with regard to the issue of whether Grantham was

criminally responsible for losses suffered as a result of the escrow account fraud scheme prior to late May 2011.

### **Obstruction of Justice**

In the summer and fall of 2012, a federal grand jury, duly impaneled and sworn in the District of Maryland, was investigating the conduct of Patrick Belzner and others regarding the escrow fraud scheme. On September 26, 2012, federal grand jury subpoenas *duces tecum* were served on IAGU, defendant Grantham, Phelan, and Krondak in connection with that investigation. The subpoenas specifically sought any and all documents and records that were possessed or controlled by Grantham, Phelan, Krondak or IAGU relating to any actual, prospective, or contemplated commercial or business transactions of any kind, including but not limited to real estate transactions and loan agreements or financial guarantees, that involved IAGU or any of the victim investors, their attorneys or business entities, as well as any records relating in any way to Belzner, McCloskey, or Sniffen.

Upon receipt of the grand jury subpoenas, Grantham, Krondak and Phelan met to discuss how they would respond to the subpoenas. They agreed that they would not produce certain responsive records that were then on their computers or otherwise within their possession, custody or control, because those particular records would reveal their involvement in and knowledge of the fraudulent escrow scheme.

Krondak then reviewed the emails and other records contained on his computer. He selected certain responsive records to withhold and thus conceal from the grand jury. Krondak copied the remaining responsive records from his computer onto three CD-Rom discs and provided them to Grantham for review. After Grantham reviewed these, he advised Krondak that he had removed several additional responsive records from the CDs. Grantham likewise

reviewed the emails and other records on his computer and selected certain responsive records to withhold and thus conceal from the grand jury. Grantham and Krondak produced the CDs on November 19, 2012 by shipping them via overnight mail to the Federal Bureau of Investigation in Baltimore, Maryland. Grantham and Krondak both included in that shipment a fully-executed form entitled Certification Under Federal Rules of Evidence 803(6) and 902(11), in which they certified, under penalty of perjury, that the records on the CDs were the responsive records sought by the grand jury subpoena.

Among the records that defendant Grantham and Krondak intentionally concealed and withheld from the grand jury were the following.

1. Email and letter from Grantham to Mr. B.L., dated February 2, 2011 at 8:45 a.m. purporting to confirm that six loans on projects being developed by the McCloskey Group would close on Monday, February 7, 2011.

In fact, none of these loans had been approved by any lender at that time, and they did not close on that date, or ever.

2. Email from Belzner to Phelan and McCloskey, dated February 23, 2011 at 4:45 p.m.

In this e-mail, Patrick Belzner described to Phelan the false information that Belzner had already provided to two different victim investors, B.L. and E.M. Belzner began the email by stating that “[Mr. B.L.] knows the following: First and foremost Brian and I are brothers – Brian and Pat McCloskey.” Belzner also instructed Phelan as to particular false statements that Phelan needed to make to both B.L. and E.M. regarding alleged funding and “participants” in order to continue to deceive B.L. and E.M. and further the fraud scheme.

3. Email from Grantham to McCloskey dated March 2, 2011 at 12:04 p.m. with attached letter dated March 1st falsely representing that “We have spoken to our participant about the timeline and have been advised and instructed to inform you, our borrower, that the funding on this USDA loan will be concluded by March 11, 2011,” which was further identified as “the outside or worst case date”.

This loan likewise was never approved by any participant and never funded.

4. Email from McCloskey to Krondak and Phelan, dated April 6, 2011 at 5:50 a.m. relating to Mr. B.L.

In this email, McCloskey told Krondak that he would be sending Krondak a false bank statement that Krondak was to send to Phelan and B.L. to make it appear that IAGU had received the necessary funds from a participant to fund a large development loan for a McCloskey Group project, when in fact, it had received no such funds nor was there any lending participant in the first place.

5. Email from McCloskey to Krondak and Phelan, dated April 6, 2011 at 6:07 a.m. with the subject line "Emailing CCF04062011\_00000.pdf"

In this e-mail, sent a short time after the above April 6 email, McCloskey instructed Krondak as to when to send out the false bank statement, which he also attached to the email message. Specifically, he warned Krondak not to send the bank statement to B.L. until a certain time later that day, because there was "a time on the statement. For safety reasons ... maybe create the email when you get in .. send it to me ONLY ... let me double check & then I'll give you the go ahead."

6. Email from Grantham to Mr. R.R. dated April 7, 2011 at 2:21 p.m. falsely representing that the loan for the 75th Street Partners – Ocean City transaction was "on track to close next week" and that the participant (lender) had "sent in its share of the funds for the closing."

Likewise, there was no participant; no funds had been received; and this loan never closed.

7. Email from Belzner to Phelan and McCloskey, dated April 19, 2011 at 12:39 p.m. relating to Mr. B.L.

In this email, directed specifically to Phelan, Belzner set out the false story that he had told B.L. to explain why IAGU had not provided funding, as previously promised, from an

alleged participant by the name of "American." In fact, there was no such participant, as Grantham, Krondak, Phelan, Belzner and McCloskey all knew. Belzner further instructed Phelan on what Phelan should tell B.L. that he was doing to get the funding. Belzner ended the email by stating: "Be cordial and don't take Ben as being antagonistic, I have him in a good spot. Appease him and tell Ben what Ben wants to hear from what I explained above."

8. Email dated May 7, 2011 at 12:33 p.m. from Phelan to Belzner, McCloskey, and Grantham setting out a proposed (and fictional) explanation to be sent to Mr. B.L. to explain the continued delay in funding the loans to the McCloskey Group.
9. Email dated May 11, 2011 at 11:44 a.m. from Belzner to Grantham, Phelan, and McCloskey providing a draft script for a letter to be sent to McCloskey and attorney R.B., providing various false justifications for the continued delay of the funding of the Estates of McCormick loan; Belzner's email instructed Grantham to "Add legal ease [*sic*] so that it makes sense and expand on the title issue that I have addressed."

These withheld e-mails were material to the grand jury's investigation of the fraud scheme and the involvement of Grantham and others.

At all times, in connection with the conduct discussed above, defendant Grantham acted knowingly and willfully.

I have read this Statement of Facts and carefully reviewed it with my attorney. I agree that the United States could prove these facts at trial and that I am guilty of the conduct described above, although I continue to reserve my right to dispute the amount of the loss and the number of victims for which I am criminally responsible, as set forth in the plea agreement and above.

6-10-14  
Date

Gregory Grantham  
Gregory Grantham