Attorney Sentenced to Five Years in Prison for Defrauding Investors

The U.S. Department reported that Gregory E. Grantham, 57, of Oceanside, California, was sentenced to five years in prison on Nov. 14 , followed by three years of supervised release, for a wire fraud conspiracy, wire fraud and obstruction of justice. U.S. District Judge J. Frederick Motz also ordered Grantham to forfeit/ pay restitution of $17.4 million.

DOJ reports:

Grantham is a licensed attorney and between September 2009 and September 2011, was employed as General Counsel for IAGU Underwriters, LLC, as well as maintaining a private law practice. Graham's co-defendant, Mervyn Phelan operated IAGU, which was in the business of underwriting loan applications submitted by real estate developers and then locating project financing from banks and other financial entities.

According to his plea agreement and court documents, between mid-2010 and August 2011, Grantham and Phelan became involved in a fraudulent scheme carried out by Patrick Belzner and Brian McCloskey, who both resided in Baltimore County. McCloskey owned a real estate development business known as the McCloskey Group, LLC. Belzner, a home builder, began working with McCloskey in late 2008 or early 2009. Phelan and IAGU began working with the McCloskey Group trying to locate sources of financing for its projects in about 2009.

Beginning in 2009 and continuing through June 2011, Belzner and McCloskey persuaded a series of private lenders to fund loans to establish that the McCloskey Group had reserves of cash that would supposedly help it obtain loans it was seeking in connection with real estate development projects through IAGU. Belzner and McCloskey falsely represented that the funds would be maintained in an escrow account under the control of Kevin Sniffen, a licensed attorney and escrow agent in Baltimore County; that the funds would not be used for any other purpose; and that the money would be returned to the lender, either upon the funding of the loan or after a specified period of time. In return for this temporary use of the lender's funds, Belzner and McCloskey promised to pay substantial fees or interest. In fact, once the lenders 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. The total losses resulting from the scheme were approximately $20 million.

Read the rest of the story.