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Office of the United States Attorney, Ann Birmingham Scheel  
District of Arizona



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### GILBERT RESIDENT INDICTED FOR INVESTMENT SCHEME

PHOENIX— On January 10, 2012, a federal grand jury in Phoenix returned a 25 count indictment against Gerald Lee Kelly, 47, of Gilbert, on four counts of wire fraud, six counts of mail fraud, 10 counts of money laundering and five counts of structuring financial transactions to avoid federal bank reporting requirements.

“The defendant took advantage of the victims at their most vulnerable time, fearing the loss of their homes,” said Acting United States Attorney Ann Birmingham Scheel. “This office, along with its investigating partners, is committed to investigating and prosecuting those that take advantage of distressed homeowners.”

“Those who find ways to fraudulently benefit from programs meant to help struggling taxpayers keep their homes will be brought to justice,” said Dawn Mertz, IRS Special Agent in Charge. “We are pleased to work with our law enforcement partners to bring this type of scan to the courts and to alert the public to be vigilant in protecting their money.

“Today’s indictment signifies the continued commitment by the FBI, the Arizona Mortgage Fraud Task Force, and the United States Attorney’s Office, in targeting significant financial fraud directed against distressed homeowners,” said FBI Special Agent in Charge James L. Turgal Jr., Phoenix Division. “The FBI and its law enforcement partners will continue to aggressively pursue those individuals who prey upon and defraud the citizens of Arizona.”

The indictment alleges that in 2006 and 2007, Kelly operated a business called Cornerstone Financial Holdings, LLC (“Cornerstone”), and through that entity defrauded investors by promising an 18-25% return on their investment. The indictment charges that Kelly told victims that their investments would fund short-term, high-interest loans to distressed homeowners and that they would be secured by promissory notes, second deeds of trust, home equity lines of credit, contracts or some other form of documentation which purportedly conveyed an interest in the homeowners’ properties. The indictment further alleges that Kelly knew that these forms of security for the investors were worthless, overstated, inadequate or a sham. Additionally, it is alleged that Kelly knew that Cornerstone was in a precarious financial condition, that its programs were incapable of generating the high rates of return promised to investors and that Kelly used victims’ funds to make payments to other victims as well as for his own personal expenses. The indictment alleges that eight specified investors lost about \$855,000.

Kelly has been summoned to appear in United States District Court for arraignment on January, 25, 2012.

Each conviction for wire fraud and mail fraud carries a maximum penalty of 20 years of imprisonment, each conviction for money laundering carries a maximum penalty of 10 years, and each conviction for structuring carries a maximum penalty of five years and each offense has a maximum fine of \$250,000 or both. In determining an actual sentence, the court will consult the U.S. Sentencing Guidelines, which provide appropriate sentencing ranges. The judge, however, is not bound by those guidelines in

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determining a sentence.

An indictment is simply a method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that established guilt beyond a reasonable doubt.

The investigation preceding the indictment was conducted by agents of the Internal Revenue Service-Criminal Investigations Division, the Federal Bureau of Investigation and the United States Trustee's Office. The prosecution is being handled by Frank T. Caslati, Assistant U.S. Attorney, District of Arizona, Phoenix.

CASE NUMBER: CR-02-17-PHX-SUB (10611)  
RELEASE NUMBER: 2002-006(5611)

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