

## PRESS RELEASE

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## Former Aurora Business Owner Sentenced For \$30 Million Fraud Schemes

SPRINGFIELD, Mo. – A former Aurora, Missouri, business owner was sentenced in federal court today for a series of fraud schemes totaling more than \$30 million.

“This white-collar thief maintained his lavish lifestyle by stealing millions of dollars from his clients, partners, and lenders to build expensive homes, buy luxurious cars, and take numerous vacations,” said U.S. Attorney Tim Garrison. “This theft occurred not once or twice, but repeatedly over several years through a series of fraud schemes. Even after being indicted, while free on bond awaiting trial, he brazenly continued to engage in criminal fraud. Today he is being held accountable for the extensive financial damage his greed wreaked upon his victims.”

Russell Grundy, 51, of Hilton Head Island, South Carolina, formerly of Aurora, was sentenced by U.S. District Judge Stephen R. Bough to eight years in federal prison without parole. The court also ordered Grundy to pay \$14,847,451 in restitution to his victims.

“The elaborate multi-million dollar fraud schemes and false information provided on numerous documents by Mr. Grundy resulted in significant harm to his business partner, a significant client and multiple financial institutions, all of which violate the public trust,” said Adam Steiner, Acting Special Agent in Charge of the IRS Criminal Investigation division in the St. Louis Field Office. “Today’s sentence demonstrates the government’s determination to restore and ensure that trust. Moreover, IRS Criminal Investigation, along with law enforcement partners and the U.S. Attorney’s Office, will continue to identify, investigate, and prosecute individuals like Mr. Grundy.”

On Jan. 30, 2020, Grundy pleaded guilty to two counts of wire fraud, one count of making a false statement on a loan application, and one count of money laundering. According to court documents, Grundy’s multiple schemes to defraud financial institutions, a Native American Tribe, and his former clients, potentially totaled more than \$30 million and resulted in nearly \$15 million in actual losses.

Grundy was the owner of several companies that focused on advanced technologies, ranging from software development to computer security to addressing the software and hardware technological needs of its clientele. Grundy’s companies included Innovative Objects, LLC, PILR Technology, LLC, Choice Technologies, LLC, Wyerless, LLC, and Audio Input, LLC.

### Land O’Lakes/Nutra Blend Fraud Scheme

Grundy (through his company Innovative Objects) was contracted by Land O’Lakes, Inc., and its subsidiary, Nutra Blend, LLC, from January 2004 to Sept. 27, 2015, to create propriety software to inventory, track, and coordinate the shipping of products. Grundy also contracted with Land

O'Lakes and Nutra Blend to provide equipment and technical support for the use, upkeep, and maintenance of the software.

Grundy falsely told Land O'Lakes and Nutra Blend that third party software programs were built into that proprietary software and were essential to the successful operation of the software. Grundy claimed that some of the payments made to Innovative Objects were remitted to third party license holders. In reality, there were no third party licensee fees; instead, Grundy kept those payments for his personal or unrelated expenses.

Land O'Lakes and Nutra Blend paid more than \$1.8 million in fraudulent license fees between 2012 and 2015.

### Miami Nations Enterprise Fraud Scheme

Grundy engaged Miami Nations Enterprise, a subsidiary company of the Miami Nations Tribe, in negotiations to provide loans and to purchase a controlling interest in all of Grundy's technology-based companies.

Grundy falsely told Miami Nations Enterprise that his companies had been awarded a \$3.5 million contract from Wal-Mart Stores, Inc., to develop and provide information technology services. Grundy presented numerous e-mails, invoices, conditional award letters, and other documents to support his false claims. Miami Nations Enterprise loaned Grundy the money to cover the costs associated with software and hardware purchases and training necessary to obtain the \$3.5 million Wal-Mart contract. Grundy admitted today that he instead used those funds for his own personal expenses, including building a new home in Charleston, South Carolina.

On Aug. 24, 2014, Miami Nations Enterprise paid an additional \$2 million to purchase a 70 percent interest in Grundy's companies.

Officials with Miami Nations Enterprise later discovered that neither Grundy nor any of his companies had been awarded any contract with Wal-Mart, and determined that the e-mails, conditional contract award, invoices, and bank deposits Grundy had used to support his claims were fraudulently created. Miami Nations Enterprise officials advised that had they been aware of Grundy's misrepresentations, they would never have purchased any portion of Grundy's companies or lent him millions of dollars as requested to meet the specifications for an information security program that never existed. Based on records from the financial institution, as well as the numerous misrepresentations made by the defendant, Miami Nations Enterprise transferred a total of \$8,010,000 to Grundy.

### False Information on Loan Application

Grundy applied for three loans from UMB Bank on Oct. 17, 2014. Grundy specifically admitted that he fraudulently obtained a \$5,440,800 loan by providing false information in the loan application. Grundy also submitted a "Change in Terms Agreement" that effectively allowed him to refinance an existing loan based on the information he provided to the bank. The total amount of the loans and "change in terms agreement" fraudulently obtained by Grundy was more than \$12 million. After the sale of the seized land and warehouses built with the fraudulently obtained loans, UMB officials have reported a remaining final loss of \$4,214,126 after the sale of those assets.

Grundy falsely claimed that Land O'Lakes had agreed to a 20-year lease for warehouse space that he wanted to build using the loans he sought from the bank. Based on lease agreements

provided to UMB Bank officials, Grundy claimed he would receive \$18 million in future income.

Grundy admitted that he grossly exaggerated the amount of money to be paid by Land O'Lakes in order to obtain the loans from UMB. Rather than one lease agreement between Grundy and Land O'Lakes to rent the warehouses, there were two lease agreements. One lease agreement was for three years at an amount far less than claimed by Grundy. The second lease agreement was a "month-to-month" lease agreement at an even smaller amount. In reality, the true and accurate leases signed and approved by Land O'Lakes only guaranteed Grundy \$540,000 in income.

#### Additional Financial Frauds

After being indicted by a federal grand jury, Grundy was granted bond over the objections of the government. During his pretrial release, according to court documents, Grundy committed two additional known financial frauds.

Grundy contracted with an individual for the creation of a mobile app, for which he was paid \$13,230 up front. The app was never completed but Grundy refused the victim's request for a refund. As a result of this incident, the government moved to have his bond revoked. The court chose not to revoke his bond but did specifically state that Grundy defrauded the victim.

A few months later, Grundy again made false statements on loan documents to Palmetto State Bank in South Carolina in an attempt to fraudulently obtain yet another loan. Grundy vastly overstated his assets and income in order to obtain a loan. But for the diligent efforts of bank officials, Grundy's fraud and false documents would have resulted in losses that would have amounted to \$75,000. Grundy surrendered his bond and was taken into federal custody.

This case was prosecuted by Assistant U.S. Attorneys Patrick Carney and Casey Clark. It was investigated by the FBI, IRS-Criminal Investigation, FDIC-Office of Inspector General, and the Small Business Administration – Office of Inspector General.

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