



Crown to seek 10 years jail time, \$26-million forfeiture in Fortress Real Developments case

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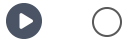


A 'For lease' sign is shown at the Collier Centre, in Barrie, Ont., in 2018. The mixed use mid-rise development was owned by Fortress Real Developments.

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Prosecutors are seeking 10 years of jail time for the co-founders of now-defunct syndicated mortgage company Fortress Real Developments Inc. and the forfeiture of \$26-million.

In addition to the forfeiture, which amounts to \$13-million for each of the two men, the Crown is also seeking a fine in case that money is unavailable to be forfeited, and additional jail time if that fine is not paid.

Jawad Rathore, Fortress's former chief executive officer, and Vince Petrozza, its former chief operating officer, were found guilty of fraud earlier this year after a lengthy criminal trial.

Lawyers for the two men have said their clients plan to appeal the Ontario Court of Justice verdict.

Defence counsel are seeking a conditional sentence of two years less a day. A conditional sentence is one that can be served outside of prison, for instance under house arrest or curfew.

Mr. Rathore and Mr. Petrozza founded Fortress in 2008. The company helped to popularize the concept of bringing syndicated mortgages to the masses by allowing mom-and-pop investors to pool their funds and participate in financing early-stage real estate projects. Previously, this type of investment was available primarily to institutional and wealthy investors.

From the archives: Inside the fall of Fortress

More than 14,000 retail investors provided \$920-million in financing to Fortress for 80 construction projects in cities across the country. While some of the projects were completed, others failed.

Justice Daniel Moore found in May that Fortress had deceived investors with respect to the amount of security they were getting in its syndicated mortgage loans.

Crown attorney Scott Patterson told a packed Toronto courtroom on Wednesday that the fraud caused financial and emotional hardship for close to 800 people.

Mr. Patterson read statements from four victims, who described how the losses impacted their lives.

One of them, Michael Straw, said he and his wife had been enjoying their retirement and planning to travel before losing \$900,000 on their investments in multiple Fortress projects.

As a result, Mr. Straw's wife had to return to work, taking up two jobs, and the couple had to sell their cottage and their camper and take out a reverse mortgage on their home, Mr. Straw said in his statement. He described the experience as "extremely stressful and embarrassing."

Another Fortress investor, Elise Gasner, said that her husband has gained more than 50 pounds, plunged into depression and is taking medications for blood pressure and for sleeping after the couple's financial losses.

"We feel stupid and taken advantage of," her statement said.

Tao Lao, a newcomer to Canada who lost money investing in Fortress, said he is suffering from headaches, a loss of appetite and difficulty sleeping.

Mr. Lao said in his statement that he is "living in constant self-blame and anxiety" and has had to take time off from work because of difficulty concentrating.

The Crown had argued that Fortress had disclosed that the investments were risky and that most of the company's projects were successful.

Scott Fenton, a defence lawyer representing Mr. Rathore, said his client “respectfully disagrees” that he committed fraud. He noted that Mr. Rathore, who is 49, has six young children, three of whom have learning disabilities, and is also caring for his elderly parents.

Mr. Fenton and Gerald Chan, the lawyer representing Mr. Petrozza, argue that Fortress was a real business that was successful overall, not a scam such as a Ponzi scheme.

The defence lawyers argue that the 10-year sentence requested by the Crown is excessive and disproportionate.

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