

# **U.S. Department of Justice**

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## **COURT AUTHORIZES DISBURSEMENT OF \$6 MILLION TO VICTIMS OF MODESTO-BASED IFR TRUST INVESTMENT FRAUD SCHEME**

**SACRAMENTO**--United States Attorney McGregor W. Scott announced today that U.S. District Judge David F. Levi had issued an order authorizing the court-appointed trustee, Robb Evans, to distribute \$6 million recovered by the Government in the IFR Trust investment fraud case. The funds are earmarked for distribution in accordance with a plan developed by the trustee and approved by the U.S. Department of Justice. Pursuant to the plan, checks will be mailed shortly to 718 victims whose claims for remission were granted by the Department of Justice based on the trustee's recommendation. The \$6 million being distributed to victim investors was derived from funds and assets seized by the U.S. Department of Justice or forfeited by convicted defendants in the course of the prosecution of the leaders of the IFR Trust investment scheme.

According to Assistant U.S. Attorneys Benjamin B. Wagner and James P. Arguelles, who prosecuted the case, the investment fraud scheme, which netted millions of dollars from investor victims around the country, was marketed through a Modesto entity called IFR Trust. IFR Trust claimed to offer investors access to an exclusive, high yield European trading program, that returned profits of as much as 50% per month. In fact, IFR Trust was a "ponzi scheme," that used payments from earlier investors to pay later investors. As noted below, six persons have been sentenced to prison terms in prosecutions arising out of the scheme.

Pursuant to earlier court orders in the case, Robb Evans was appointed by the U.S. District Court to serve as the trustee to locate and take possession of any remaining assets arising from the IFR Trust investment fraud scheme, including funds and assets seized in the course of the prosecution. The trustee obtained and liquidated additional assets that had been purchased with investor funds, and on behalf of the Department of Justice contacted victims to solicit claims for remission. Those claims were processed and evaluated, and the trustee submitted a proposed plan to the Department of Justice to distribute the recovered funds to claimants. That plan was recently approved on May 22, 2003. Because the total amount of investor losses in the fraud scheme exceeds the amount of assets recovered to date for remission to victims, the compensation for each victim will be based on a formula approved by the Department of Justice. Assistant U.S. Attorney Courtney J. Linn handled the forfeiture proceedings involving the assets, and worked with the trustee on the distribution plan, in coordination with the Asset Forfeiture and Money Laundering Section of the Criminal Division of the Department of Justice.

The trustee will continue to seek, liquidate and make recommendations to distribute other assets associated with the fraud scheme. Over a million dollars was previously ordered distributed to victim investors recruited by two of the promoters of the IFR Trust scheme, VELTON ROGERS of Modesto, and TIMOTHY McCORMICK of Chattanooga, Tennessee, in connection with proceedings relating to the conviction of both of those individuals.

Prosecutions arising out of the IFR Trust scheme were initiated in late 1999, and to date six defendants have been sentenced to prison terms:

- In January 2001, LARRY WILCOXSON, 52, of Modesto, the leader of IFR Trust, was sentenced to eight years in prison, to be followed by a three year term of supervised release. He also forfeited substantial assets to the trustee.
- VELTON ROGERS, 69, of Modesto, a close associate of Wilcoxson's and promoter of the scheme, was sentenced on February 21, 2002 to five years and four months in prison, to be followed by a three year term of supervised release, and was ordered to pay over a million dollars in restitution.
- DAVID BAXTER, 61, of Leven, East Yorkshire, England, one of Wilcoxson's associates in setting up and marketing IFR Trust, was sentenced on May 19, 2003, to 19 months in prison. He was extradited from the United Kingdom in August, 2002.
- JOHN R. WITZKE, 53, of Modesto, was sentenced on October 19, 2000, to a year in prison, to be followed by three years of supervised release, including 100 hours of community service. He also forfeited \$128,000 in fraud proceeds, and was ordered to pay a fine.
- TIMOTHY L. McCORMICK, 44, of Chattanooga, Tennessee, a promoter of the IFR Trust scheme, was sentenced on April 24, 2002 to a year in prison, to be followed by three years of supervised release, for his role in recruiting investors.
- WILCOXSON's former certified public accountant, C. WILLIAM GORDIN, 52, also of Modesto, was sentenced on February 1, 2001, to four months in prison, to be followed by a year of supervised release including 2 months in a halfway house, in connection with his role in the fraud scheme. GORDIN was also ordered to pay \$100,000 to the trustee, and a \$6,000 fine. The California Board of Accountancy revoked GORDIN's license to practice as a certified public accountant.

Parole has been abolished in the federal criminal system, and defendants are required by law to serve at least 85% of the prison time imposed.

The case was investigated by the Federal Bureau of Investigation and the Criminal Investigation Division of the Internal Revenue Service.

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