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**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA**

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	CR-S 99-0359 DFL
)	
v.)	
)	ORDER APPROVING
LARRY WILCOXSON,)	TRUSTEE'S INITIAL REPORT TO
DAVID BAXTER,)	THE COURT
C. WILLIAM GORDIN,)	
ROXANNE ALBAUGH, and)	
JOHN F. WITZKE,)	
)	
Defendants,)	
_____)	

Upon consideration of the Trustee's Initial Report to the Court (the "Report"), the Report will be approved.

Mr. Robb Evans was appointed as the trustee (the "Trustee") by this Court on October 19, 2000, for the purposes of receiving the Subject Property, managing the Subject Property, and liquidating the Subject Property for the protection of the United States. The Trustee is required to submit periodic reports to the Court which, inter alia, describe the Trustee's efforts to comply with the terms of the Order Appointing Trustee.

The Government has reviewed the Report, and recommends that it be approved. The Court has reviewed the Report.

It is hereby ORDERED that the Trustee's Initial Report is approved.

IT IS SO ORDERED.

DATED: March 22, 2001

DAVID F. LEVI

UNITED STATES DISTRICT JUDGE

Initial Report to the Court

Robb Evans, Trustee

[In the Matter of United States of America v. Larry Wilcoxson, et al.
U.S. District Court for the Eastern District of California, Case No. CR-S 99-0359 DFL]

February 28, 2001

The purpose of this initial report is to inform the Court regarding the activities of the Trustee, and to provide information developed regarding the forfeited assets and related matters. This report does not constitute an audit of the financial condition of the estate.

Background and Initial Observations

Since my appointment on October 19, 2000, my colleagues and I have met several times with the officials of the U.S. Attorney's office, and with Special Agents of the Federal Bureau of Investigation ("FBI"), and the Internal Revenue Service ("IRS"), to review certain documentation held in their custody and obtain records pertinent to the forfeited assets. I have initiated steps to take control of the forfeited assets, to trace money transfers and other diversions, and pursue all possible sources of recovery.

Liquid Assets Collected

The various bank accounts that were earlier frozen were unfrozen under specific Court Orders. I have collected about \$3 million from the banks (described under 1 (a) and (b) of the Forfeiture Order).

An amount of \$85,527.80, representing proceeds from the sale of property described under 1 (d) and (e) of the Order, has been collected through the U.S. Marshals Service. An amount of \$129,105.65, [towards the asset described under 1 (o) of the Order], has been received from the defendant John R. Witzke.

An amount of \$30,000 was collected from Walter A. Wilcoxson and Nancy J. Wilcoxson as provided under 1 (r) of the Order.

Financial Statements

An Income and Expense statement for the period October 19, 2000 to February 28, 2001 is enclosed. The income of \$43,227 includes loan interest collected on forfeited Notes and deposit interest income. The total expense of \$112,361 includes an expense of \$11,927 attributable to restitution trustee matters.

Also enclosed is a balance sheet as of February 28, 2001. Under 'Other Assets', the outstanding amounts of the forfeited Notes are shown as 'Loans Receivable'. Most of these Notes were delinquent since May 2000. I have initiated collection action on all of them. Some of these Notes are secured by poor collateral and are still non-performing. I am currently considering foreclosure of the collateral in many instances. I have provided for appropriate loan loss reserves in the balance sheet.

The values of the ranch and the farm equipment shown in the balance sheet are based on preliminary estimates and will be revised in the subsequent reports upon further review.

Under 'Other Liabilities', I have shown an amount of \$132,837 to account for the interest of third-party petitioners, in respect of third-party claims recognized by the Court. This amount does not include post-judgment interest and/or lien fees etc.

Under 'Equity', the current best estimate of value of all the forfeited assets is shown. The net loss of \$511,474 is primarily due to providing for loan loss reserves (on the forfeited Notes).

Follow Up of Other Forfeited Assets

1. *Real Property at Twenty Six Mile Road, Oakdale, California (1 c)*

The subject property, known as Oakdale Ranch, consists of 2 parcels of undeveloped agricultural/rural residential land totaling 511.05 acres located in Stanislaus County. I have obtained a professional appraisal from an appraiser who is a Member of the Appraisal Institute (MAI). I am currently interviewing real estate brokers for listing of the property for sale and I am also concurrently considering unsolicited offers. I will be deciding on the listing after resolving certain title, leasing and other related issues.

The Oakdale Ranch is encumbered by two liens: one in favor of Oakdale Irrigation District in the approximate amount of \$15,203.06, and the other in favor of John P. Brichetto in the approximate amount of \$117,633.86. I am advised that these two lienholders filed third-party petitions before the Court, and that the United States has entered into Stipulations recognizing the third-party interests of these two lienholders.

2. *Lexus RX300 (1 f)*

Soon after my appointment, I learned that a family member of one of the defendants was using a 1999 Lexus purchased with investor funds. I took possession of the vehicle and I am currently sorting out title and registration issues with the Department of Motor Vehicles so that an orderly sale can be arranged. The vehicle is stored in my warehouse.

3. *Notes Secured by Deeds of Trusts (1 g)*

I collected a note for \$30,000 together with accrued interest. My staff met with the principal of the finance company that formerly serviced these loans, and collected the installment payments received by it on all the loans since my appointment. We have reviewed the loan histories and payment records to decide on the recovery action in many cases where the loans have been delinquent. We are negotiating short-term workouts in some cases and I will be making decisions on foreclosures where workouts are not feasible. My future reports will address these notes and collection/foreclosure issues in detail. The total outstanding liability on these notes is about \$1.2 million.

4. *Farm Equipment (1 h, i, j, k, l, m & n)*

Soon after my appointment, I learned that most of the farm equipment listed in the Forfeiture Order was either missing or being used in different locations by acquaintances of Larry Wilcoxson ("Wilcoxson") after his arrest in 1999. I have located several of those items and I am arranging to marshal them to one location for appraisal and sale.

5. *Bank Account in Samoa (1 p)*

Examination of bank records shows that at least \$1.5 million was transferred to a bank account in Western Samoa. The account, in the name of the World Cultural Center, has been frozen in connection with a money-laundering investigation being conducted by the Attorney General of Western Samoa and a securities fraud investigation by the Securities and Exchange Commission in Denver against a company called Meliorations Management. I intend to file a claim for the return of IFR investor funds in that case.

Restitution Trustee Matters

Pursuant to 28 C.F.R. Section 9.9 (c), the Attorney General, through the U.S. Department of Justice, has authorized my appointment to act as Trustee ("Restitution Trustee") to notify potential petitioners, to process petitions, and to make recommendations to the Chief of Asset Forfeiture and Money Laundering Section ("AFMLS") on the distribution of the assets to petitioners. I agreed to act as the Restitution Trustee.

Investor Funds and Creation of Claim Database

Concurrent with my duties as the Trustee for receiving, managing and liquidating the forfeited assets, I have commenced investigation and independent analysis of the data collected, so far, from FBI, IRS and the U.S. Attorney's office. In addition, members of my staff have interviewed two of the defendants, Wilcoxson and William Gordin ("Gordin") to discuss our preliminary findings and to question the defendants about missing funds.

This was an investment fraud scheme involving marketing of investments in what was represented to be an exclusive, high yield European Trading program. The investments were marketed to hundreds of investors around the world. The scheme was devised in 1997 and Wilcoxson and others, whom he recruited as agents or brokers, represented to the investors that they would receive profits of about 50% per month. Investors were sent account statements periodically showing that they had received those profits, when in fact no such profits had been received from any such trading program. My preliminary investigation so far reveals that more than 1,600 individuals invested in the scheme through the IFR Trust, an offshore trust, controlled by Wilcoxson. I have initiated a forensic analysis of the bank records with the investor statements, records maintained by the bookkeeper Gordin and documents obtained from the various law enforcement agencies that investigated and prosecuted this case. I believe, based on our interviews of Wilcoxson and Gordin, the books maintained by Gordin for IFR Trust did not reflect all of the investors' data. Gordin reportedly started maintaining the investor accounts only since 1998 and compiled the investor data based strictly on information provided, periodically, by Wilcoxson and his staff and attempted no account reconciliation to match the actual amounts received from individual investors.

Gordin's records revealed the existence of about 80 brokers who had been paid significant sums of money as commissions. From the investor inquiries that I have so far received via telephone, Internet and mail, I suspect that some of the brokers invested in the IFR Trust individual investor funds under fictitious names or in their own names without providing the names of the actual investors and the amounts of their investments. It is also likely that some, if not many of the investors intended to remain anonymous to avoid paying taxes on the unusual gains promised under the scheme. Gordin confirmed that, under instructions from Wilcoxson and his staff, none of the income reportedly paid to the investors was ever reported to the income tax authorities.

A very preliminary review indicates that more than \$47 million was collected from the investors, directly or through brokers/agents during the two-year period and about \$20 million was paid (as principal and profits) to some investors directly or through brokers. In addition, a sum in excess of \$6 million was paid to about 80 brokers and agents as commissions. This information could be flawed, as according to Gordin, the records available did not include the early investors (of 1997 and early 1998) some of whom were completely paid off, allegedly many times the size of their original investments.

There were numerous investors who were paid substantial 'income' in addition to refund of their original investments. A rough summary of the preliminary information is provided below. This table is provided to indicate the magnitude of the fraud, and by no means is any representation of the exact amounts collected, paid off or diverted.

<u>Class of Investors</u>	<u>Investments</u>	<u>Repayment</u>	<u>Overpaid/(Underpaid)</u>
Investors fully paid	\$ 5,072,000	\$10,216,000	\$ 5,144,000
Investors partially paid	20,010,000	8,370,000	(11,640,000)
Investors never paid	19,950,000		(19,950,000)
Brokers/Agents	2,461,000	1,710,000	
Commissions paid (to brokers/agents)		6,108,000	

Until we reconcile the data with financial records and confirm with original sources from investors, paid checks and bank transfers, it is impossible to conclude as to who was enriched, who are the innocent victims of the fraud and how much each one of them lost. This process of reconstruction of records and reconciliation could take a number of weeks. I have posted in our web site a notice to the investors requesting them to provide me with comprehensive information on their investments.

When this forensic analysis is completed I will send out the claim forms to the known potential claimants.

Concluding Remarks

The Court is respectfully requested to approve this report and confirm the Trustee's actions and expenses described herein.

Respectfully submitted,

<signed>

Robb Evans

Trustee
