



Department of Justice

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Somerset Man Sentenced to Federal Prison for Running \$2.4 Million Ponzi Scheme

LONDON, Ky. – A Somerset, Ky., man, Rodney Scott Phelps, 58, was sentenced to 108 months in federal prison on Tuesday, by U.S. District Judge Claria Horn Boom, for conspiring to commit wire fraud and committing wire fraud by perpetrating a complex Ponzi scheme. Phelps was also ordered to pay restitution in the amount of \$2,437,875.30

From January 2012 through October 2014, Phelps and co-defendant Jason Castenir defrauded 13 victims out of over \$2.4 million, through three fake investment schemes. According to the evidence presented at Phelps' trial and other court documents, Phelps and Castenir created Maverick Asset Management LLC ("MAM") in 2012, as a private-equity firm located in Somerset, Kentucky. Beginning around this time, and continuing until late 2014, Castenir and Phelps convinced a number of investors from across the country, including in Washington State, Ohio, Arizona, and Nevada, to invest in an opportunity to obtain an oil concession from the government of Belize. They boasted of vast experience in successful oil exploration ventures and promised investors royalties on any oil extracted and a considerable interest rate on their investment, all of which was to be backed by Phelps's multi-million dollar trust, in the name of Phelps Family Trust. Investors raised hundreds of thousands of dollars for this investment, wiring those funds to MAM in Kentucky. Evidence at trial revealed that Phelps and Castenir had little experience with successful oil ventures; there was no sizeable Phelps Family Trust; and they used the money they raised for MAM operating expenses, to pay themselves, and to make Ponzi payments back to other victim-investors.

In a related scheme, Phelps convinced three victims from Tennessee to invest roughly \$1.2 million with MAM to trade on various commodities markets, again boasting of MAM's vast experience successfully trading on these markets, including with funds from the Phelps Family Trust, and convincing victims that the Phelps Family Trust backed their investment. Phelps and Castenir invested roughly one-third of this money on commodities markets, losing almost all of it in short measure, but sent victims accounting statements detailing profits on their investments. Phelps and Castenir spent the rest of the money on MAM operating expenses, personal profit, and Ponzi payments to other victim-investors.

In a third scheme, Phelps convinced two victims from Tennessee to pay \$1 million to an escrow account earmarked for initiating the purchase of a casino in Tunica, Mississippi. Phelps

had committed to likewise pay \$1 million from the Phelps Family Trust to match the victim investment, but never did. Instead, Phelps and Castenir took this money from the escrow account to pay MAM operating expenses, invest on commodities and stock markets, personally profit, and for Ponzi payments to other victim-investors.

In September 2019, after an eight day jury trial, Phelps was convicted of one count of conspiring to commit wire fraud and twelve counts of wire fraud.

Castenir pled guilty to conspiring to commit wire fraud, commodities fraud, and money laundering, in August 2017, and is scheduled for sentencing in September 2020. He faces a maximum sentence of imprisonment of 20 years for wire fraud, and 10 years each for the commodities fraud and money laundering.

Under federal law, Phelps must serve 85 percent of his prison sentence; and upon his release, they will be under the supervision of the United States Probation Office for three years.

“Scott Phelps engaged in a long-running and multifaceted Ponzi scheme to defraud investors, using the money received to continue his fraudulent plans and personally profit by stealing from investors,” said Robert M. Duncan, Jr., United States Attorney for the Eastern District of Kentucky. “The sentence imposed reflects the seriousness of Phelps’ criminal conduct.”

“The defendants perpetrated a massive investment fraud scheme that was laced with a web of financial lies which generated millions of dollars through false promises and deceit,” said Special Agent in Charge Bryant Jackson, IRS-Criminal Investigation, Cincinnati Field Office. “When you knowingly mix deceit and trickery into the financial well-being of individuals, you create a recipe for devastation that could last a lifetime. Investigations of this magnitude would not be successful without the collaborative efforts of the prosecutors and agents who investigated this case.”

“Abusing the trust placed in him by dozens of investors, Rodney Phelps engaged in multiple fraudulent investment schemes over the course of several years,” said Special Agent in Charge Robert Brown, FBI Louisville Field Office. “As his sentence reflects, the FBI and our partners remain firmly committed to holding accountable those who choose to victimize the public for their own financial gain.”

United States Attorney Duncan; James Robert Brown Special Agent in Charge of the Federal Bureau of Investigation-Louisville Division; and Bryant Jackson, Special Agent in Charge of the IRS-CI Cincinnati Field Office, jointly announced the sentencing.

The investigation was conducted by the Federal Bureau of Investigation, with assistance from the Commodities and Futures Trading Commission and the Internal Revenue Service-Criminal Investigation. The United States was represented by Assistant United States Attorneys Kathryn M. Anderson and Kenneth R. Taylor.

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