Department of Justice

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Somerset Man Convicted of Running $2.2 Million Ponzi Scheme

LONDON, Ky. – A Somerset, Ky., man was found guilty yesterday, by a federal jury sitting in London, of conspiring with co-conspirator Jason T. Castenir to run a complex and long-running Ponzi scheme. During the scheme, they defrauded dozens of victims out of over $2.2 million, through three fake investments.

After a brief deliberation following an eight-day trial, the jury convicted 58-year-old Rodney Scott Phelps of one count of conspiracy to commit wire fraud and 12 additional counts of wire fraud.

According to the evidence presented at trial, Rodney Scott Phelps and Jason Castenir created Maverick Asset Management LLC ("MAM") in 2012, as a private-equity firm. 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.

Robert M. Duncan, Jr., United States Attorney for the Eastern District of Kentucky, and James Robert Brown Special Agent in Charge of the Federal Bureau of Investigation-Louisville Division, jointly announced the verdict. 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.

Phelps will appear for sentencing on December 3, 2019. He faces a maximum of 20 years in prison. Castenir had previously pleaded guilty for his role in these offenses, and others, on August 18, 2017. His sentencing is scheduled for September 24, 2019, and he likewise faces a maximum of 20 years in prison. However, the Court must consider the U.S. Sentencing Guidelines and the applicable federal sentencing statutes before imposing the sentences.

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