



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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FORMER CONNECTICUT BISHOP SENTENCED TO FEDERAL PRISON FOR PONZI SCHEME AND LAUNDERING PROCEEDS THROUGH A TARP BANK

WASHINGTON, DC – Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Deirdre M. Daly, Acting United States Attorney for the District of Connecticut, today announced that Julius C. Blackwelder, 59, formerly of Stratford, Conn., was sentenced on Thursday by Senior United States District Judge Ellen Bree Burns in New Haven, Conn., to 46 months of federal imprisonment, followed by three years of supervised release, for operating an investment fraud scheme.

According to court documents and statements made in court, beginning in 2005, Blackwelder persuaded individuals to invest their money with him as part of an investment pool known as the “Friend’s Investment Group.” At the time, Blackwelder was the Bishop of the Bridgeport Ward of the Church of Jesus Christ of Latter-day Saints located in Trumbull, Conn., and he solicited investments from, among others, members of his congregation.

Blackwelder misrepresented to investors that he would invest their money in safe, long-term commodities futures contracts, and that he was an experienced and successful commodities investor. In some instances, Blackwelder guaranteed investors’ principal and a specific return on their investment. He documented his misrepresentations to investors in promissory notes, offering memoranda, and account updates that he prepared.

In fact, Blackwelder used investors’ money to fund his construction of a 7,000 square-foot home on the Housatonic River in Stratford, Conn.; to pay other personal expenses; and to repay personal bank loans, including a line of credit from a Troubled Asset Relief Program (TARP) recipient bank. Blackwelder also used some invested funds to pay earlier investors.

Through this scheme, Blackwelder defrauded investors of nearly \$500,000.

One victim of Blackwelder’s scheme, who was nearing retirement, took out a \$100,000 home equity loan on his house and withdrew \$130,000 from his 401k to invest with Blackwelder.

“Americans did not bail out banks with TARP funds so that fraudsters could launder money through them,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “As a bishop in the L.D.S. church, Blackwelder duped members of his own congregation and other victims out of their hard-earned savings only to fuel his Ponzi scheme. Blackwelder squandered almost all of the money on personal expenses and building a 7,000 square foot river-front mansion, laundering the money through TARP recipient Bank of America. TARP was intended to bring stability to our nation’s financial system, not to

prop-up fraudulent investment schemes, and anyone responsible for laundering money through a TARP bank will be held accountable and brought to justice by SIGTARP and our law enforcement partners.”

“This defendant exploited his position in his church to mislead other church members into believing he was an accomplished investor who could help them protect and increase their wealth,” stated Acting U.S. Attorney Daly. “Instead, he used much of the money he took from his victims to construct a luxurious waterfront mansion so that he could live in comfort while his victims struggled to make ends meet. I want to thank the U.S. Postal Inspection Service, SIGTARP, IRS-Criminal Investigation, and the Connecticut Department of Banking who investigated this matter, as well as our other law enforcement partners who are working diligently to protect investors by identifying and rooting out fraudulent financial schemes.”

On February 20, 2013, Blackwelder pleaded guilty to one count of wire fraud and one count of money laundering.

This matter was investigated by SIGTARP, the United States Postal Inspection Service, the Internal Revenue Service – Criminal Investigation, and the State of Connecticut Department of Banking. The case was prosecuted by Assistant United States Attorney Jonathan N. Francis and Acting United States Attorney Daly.

This prosecution was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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